

**COPY**

**-Application**

**Life Care Center**  
**of Eastridge**

**CN1410-044**



3001 Keith Street, NW / P.O. Box 3480 / Cleveland, Tennessee 37320-3480  
(423) 472-9585 / WWW.LCCA.COM

October 13, 2014

**VIA FEDERAL EXPRESS**

State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building  
500 Deaderick Street  
Suite 850  
Nashville, Tennessee 37243

ATTN: Melanie Hill

RE: Life Care Center of East Ridge  
1500 Fincher Avenue  
East Ridge, Tennessee 37412

Dear Melanie:

Please find enclosed for filing the original and two copies of the Certificate of Need Application in connection with the proposed replacement for the above referenced project. Also, enclosed is check number #18513 in the amount of \$45,000.00 which represents the application fee.

Thank you in advance for assistance. If you should have any questions please contact me at (423) 473-5867.

Sincerely,

Joan E. Thurmond  
Legal Assistant

JET/tmb  
Enclosure

cc: Richard McAfee  
Ed Day  
Dan Elrod, Esquire

1. Name of Facility, Agency, or Institution

**Life Care Centers of America, Inc. dba Life Care Center of East Ridge**

Name

**The new facility will be located East of the existing facility adjacent to the current site at 1500 Fincher Avenue**

Street or Route

**Hamilton**

County

**East Ridge**

**Tennessee**

**37412**

City

State

Zip Code

2. Contact Person Available for Responses to Questions

**Cindy S. Cross**

**Sr. Director of Legal Services**

Name

Title

**Life Care Centers of America, Inc.**

**cindy\_cross@lcca.com**

Company Name

Email Address

**3570 Keith Street, NW**

**Cleveland**

**Tennessee**

**37312**

Street or Route

City

State

Zip Code

**Employee of Applicant**

**423-473-5867**

**423-339-8339**

Association with Owner

Phone Number

Fax Number

3. Owner of the Facility, Agency or Institution

**Life Care Centers of America, Inc.**

**423-473-5867**

Name

Phone Number

**3570 Keith Street NW**

**Bradley**

Street or Route

County

**Cleveland**

**Tennessee**

**37312**

City

State

Zip Code

4. Type of Ownership or Control (Check One)

**A. Sole Proprietorship**

**F. Government (State of TN or Political Subdivision)**

**B. Partnership**

**G. Joint Venture**

**C. Limited Partnership**

**H. Limited Liability Company**

**D. Corporation (For Profit)**

**X**

**E. Corporation (Not-for-Profit)**

**I. Other**

Response: Attachment A.4.1 is a copy of the charter and amendment to charter, Attachment A.4.2 is a copy of the Bylaws, and Attachment A.4.3 is a copy of the corporate organization chart.

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. Name of Management/operating Entity (If Applicable)

Name \_\_\_\_\_

Street or Route \_\_\_\_\_

County \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Response: Not applicable, Life Care Center of East Ridge is operated by Life Care Centers of America, Inc.

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership \_\_\_\_\_

D. Option to Lease \_\_\_\_\_

**X**

B. Option to Purchase \_\_\_\_\_

E. Other \_\_\_\_\_

C. Lease Of \_\_\_\_\_ Years \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Response: Attachment A.6.1 is a draft copy of the lease.

7. Type of Institution (Check as appropriate---more than one response may apply)

A. Hospital (Specify) \_\_\_\_\_

I. Nursing Home \_\_\_\_\_

**X**

B. Ambulatory Surgical Treatment  
Center (ASTC) Multi-Specialty \_\_\_\_\_

J. Outpatient Diagnostic Center \_\_\_\_\_

C. ASTC, Single Specialty \_\_\_\_\_

K. Recuperation Center \_\_\_\_\_

D. Home Health Organization \_\_\_\_\_

L. Rehabilitation Facility \_\_\_\_\_

E. Hospice \_\_\_\_\_

M. Residential Hospice \_\_\_\_\_

F. Mental Health Hospital \_\_\_\_\_

N. Non-Residential Methadone  
Facility \_\_\_\_\_

G. Mental Health Residential  
Treatment Facility \_\_\_\_\_

O. Birthing Center \_\_\_\_\_

H. Mental Retardation Institution  
Habilitation Facility (ICF/MR) \_\_\_\_\_

P. Other Outpatient Facility  
(Specify) \_\_\_\_\_

Q. Other (Specify) \_\_\_\_\_



8. **Purpose of Review (Check)** as appropriate - - more than one response may apply)

- |                                   |          |                              |          |
|-----------------------------------|----------|------------------------------|----------|
| A. New Institution                | _____    | H. Change in Beds Complement | _____    |
| B. Replacement/Existing Facility  | <u>X</u> | [Please note the type of     | _____    |
| C. Modification/Existing Facility | _____    | change by underlining the    | _____    |
| D. Initiation of Health Care      | _____    | appropriate response:        | _____    |
| Service as defined in TCA §       | _____    | Increase, <u>Decrease</u> ,  | _____    |
| § 68-11-1607(4) (Specify) _____   | _____    | Designation, Distribution,   | <u>X</u> |
| E. Discontinuance of OB           | _____    | Conversion, Relocation]      | _____    |
| Services                          | _____    | I. Change of Location        | _____    |
| F. Acquisition of Equipment       | _____    | J. Other (Specify)           | _____    |
|                                   |          |                              | _____    |

9. **Bed Complement Data**

*Please indicate current and proposed distribution and certification of facility beds.*

	Current Beds		Staffed	Beds	TOTAL
	<u>Licensed</u>	<u>*CON</u>	<u>Beds</u>	<u>Proposed</u>	<u>Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility - SNF (Medicare only)	<u>130</u>	<u>0</u>	<u>130</u>	<u>-22</u>	<u>108</u>
M. Nursing Facility - NF (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility - SNF/NF (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
O. Nursing Facility - Licensed (non-Certified)	_____	_____	_____	_____	_____
P. IDIHF	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
<b>TOTAL</b>	<u>130</u>	<u>0</u>	<u>130</u>	<u>-22</u>	<u>108</u>

\*CON-Beds approved but not yet in service

10.	<b>Medicare Provider Number</b>	<u>445296</u>
	<b>Certification Type</b>	<u>Nursing Home</u>
11.	<b>Medicaid Provider Number</b>	<u>0445296</u>
	<b>Certification Type</b>	<u>Level II only</u>
12.	<b>If this is a new facility, will certification be sought for Medicare and/or Medicaid?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No      Not Applicable <input checked="" type="checkbox"/> NA	
13.	<b>Will this project involve the treatment of TennCare participants?</b> <u>No</u>	

**NOTE:** **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of the proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: Description – This Certificate of Need application is for the on-site replacement of Life Center of East Ridge, a 130 bed nursing home located at 1500 Fincher Avenue, East Ridge (Hamilton County), Tennessee. The facility was constructed in 1975 and expanded in 1989. The number of licensed beds in this facility will be reduced from 130 to 108. During 2013, the facility provided 30,050 days of care, or an average occupancy rate of 63 percent.

Starting in 1998, twelve parcels, containing 9.76 acres adjacent to the current site were purchased. These parcels will be combined with the existing site. Cumulatively, the new site will contain ± 14.6 acres. An address has not been assigned to the proposed building. However, the address may not change.

Ownership Structure – Life Care Centers of America, Inc. (Life Care) manages approximately 230 skilled nursing centers in 28 states. The company was founded in 1976, and is incorporated in the state of Tennessee with its Corporate Headquarters in Cleveland, Tennessee. Life Care operates and/or manages 26 skilled nursing facilities in the state of Tennessee. (Please see Attachment B.I.1 for a listing of all Life Care affiliated facilities in Tennessee.) Forrest L. Preston is the Chairman and sole shareholder of Life Care. He also is involved in the ownership and management of three independent/assisted living facilities within the state of Tennessee.

Service Area The primary service area is defined as Hamilton County which is expected to have a population of 349,273 in 2015.

Existing Resources Twelve nursing homes containing 1,779 licensed beds, are currently licensed in the service area, Hamilton County. Life Care Center Of Ooltewah was opened during 2013. During 2012, the eleven nursing homes reported providing 514,979 patient days, or an occupancy rate of 85 percent.

Need The facility was built in 1975 with an addition in 1988. The 40 year old physical plant is aging and presents space limitations. These limitations include the size of resident rooms, activity spaces, and therapy space, plus the lack of space for administrative offices and storage space. Rehabilitation services are spread throughout the facility and are crowded. The facility has only four private rooms. Rooms do not have private showers. The laundry is in a detached building. Outdoor space is limited. There is only one outdoor courtyard and walking paths are limited. The emergency generator and wiring of the facility limit the amount of power available to support the needs of residents in a power outage. The facility is a two story building and currently has only one elevator.

The intersection from which you access the facility is very congested. As part of this project a new traffic signal will be installed. The entry drive into the site will be relocated further from the intersection to allow for a safer traffic pattern. The site will also be made safer by closing a through road on the site and eliminating a secondary point of access.

The nursing home bed formula reports a need for 895 additional beds in Hamilton County in 2016. This request is for the replacement of a existing nursing home, and will reduce the number of licensed beds in Hamilton County.

Project Cost/Funding The cost of the project is estimated to be \$24,874,400, and will be funded by a commercial loan from Bank of Texas. A letter from Bank of Texas stating its willingness to fund this project is presented in Attachment C. Economic Feasibility.2.

Financial Feasibility The proposed facility currently has a positive cash flow from operations, and is expected to continue maintain a positive cash flow after the expansion and break-even in its third year of operation.

Staffing - The current staffing is 106 FTEs. The expected staffing, during the second year of operation, is estimated to be 120 FTES with 88 of these FTEs being clinical positions. The staffing of the facility is reviewed in detail in the Contribution to the Orderly Development of Health Care section of this application.

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) Should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

**If the project involves none of the above, describe the development of the proposal.**

Response: The chart has been completed. The construction cost is estimated to be \$14,837,000 or \$185.00 per square foot.

Life Care Center of East Ridge will offer a variety of amenities. These include three dayrooms, an activity room, ice cream and gift shop, library, beauty shop, outdoor courtyards, walking paths, gazebos, fine dining and a private dining room.

There will be 108 private rooms with a direct phone line, wireless internet access and TV.

Large therapy spaces will be provided. Physical therapy, speech therapy, and occupational therapy services will be offered. Private treatment rooms will be available. State of the art therapy equipment will be included in the FF&E package. An outdoor therapy courtyard with a variety of walking surfaces and transitions will be located adjacent to the therapy gym.

The proposed 80,200 SF nursing facility will be constructed on a relatively flat  $\pm$  14.6 acre site. The property is presently being surveyed and all preliminary information indicate this land is adequate to provide all programmatic elements of the facility. Parking quantities and landscape requirements will be designed to accent the site, and will exceed the local zoning code.

The building in this project will be constructed under the codes adopted by the local municipality and the Tennessee Department of Health. See Attachment B. Project Description II.A Codes Letter.

This single story building will be framed with metal stud walls and wood trusses. The exterior façade of the structure has not been determined. However, for project cost purposes we assume the exterior wall will be brick or simulated stone cladding, with fiber cement siding and trim accents. The proposed roofing material is an architectural fiberglass or asphalt shingle with prefinished aluminum gutters and downspouts. All resident windows will incorporate code mandated egress requirements. The proposed building also incorporates a large main entry Porte Cochere that allows three drive lanes of vehicular traffic to insuring easy all weather access to the main entry.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Response: The number of licensed beds will decrease from 130 to 108 as a result of this project. The distribution of the beds located in private and semi-private rooms, current and proposed, beds is presented in the following table.

Table 1  
Bed Distribution

	Beds In Private Rooms	Beds In Semi-Private Rooms
Current	10	120
Proposed	108	-

# SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Patient Rooms	1st & 2nd Floors	24,656		1st Floor	0	25,844	25,844			
Administration	2nd Floor	1,877		1st Floor	0	2,870	2,870			
Rehab	1st Floor	1,331		1st Floor	0	4,222	4,222			
Food Service	1st Floor	1,905		1st Floor	0	1,732	1,732			
Laundry	Other Building	578		1st Floor	0	749	749			
Patient Care Support	1st & 2nd Floors	4,577		1st Floor	0	5,915	5,915			
Activities & Lounge	1st Floor	1,452		1st Floor	0	3,826	3,826			
Storage	1st & 2nd Floors	1,276		1st Floor	0	758	758			
Dining	1st Floor	1,336		1st Floor	0	4,071	4,071			
B. Unit/Depart. GSF Sub-Total		38,998			0	49,987	49,987			
C. Mechanical/ Electrical GSF		147			0	2,757	2,757			
D. Circulation /Structure GSF		14,423			0	27,456	27,456			
E. Total GSF		53,568			0	80,200	80,200		\$185.00	\$185.00



**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

1. **Adult Psychiatric Services**
2. **Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
3. **Birthing Center**
4. **Burn Units**
5. **Cardiac Catheterization Services**
6. **Child and Adolescent Psychiatric Services**
7. **Extracorporeal Lithotripsy**
8. **Home Health Services**
9. **Hospice Services**
10. **Residential Hospice**
11. **ICF/MR Services**
12. **Long-term Care Services**
13. **Magnetic Resonance Imaging (MRI)**
14. **Mental Health Residential Treatment**
15. **Neonatal Intensive Care Unit**
16. **Non-Residential Methadone Treatment Centers**
17. **Open Heart Surgery**
18. **Outpatient Surgery**
19. **Positron Emission Tomography**
20. **Radiation Therapy/Linear Accelerator**
21. **Rehabilitation Services**
22. **Swing Beds**

Response: Not Applicable

**D. Describe the need to change location or replace an existing facility.**

Response: The application is for the on-site replacement of an existing facility. The facility was built in 1975 with an addition in 1989. The 40 year old physical plant is aging and has significant space limitations. These limitations include the size of resident rooms, activity spaces, and therapy space plus the lack of space for administrative offices and storage space. The laundry is currently located in another building. The square feet per bed will be increased from 412 in the existing to 743 in the proposed, or an increase of 80 percent.

Rehabilitation services are spread throughout the facility and are crowded. The space for rehabilitation services will be increased from 1,331 square feet to 4,222 square feet. All rehabilitation services will be consolidated in this space. Large therapy spaces will be available to provide physical therapy, speech therapy, and occupational therapy services.

Private treatment rooms will be available. A simulated home kitchen and bath will be available to assist patients to return home safely by practicing cooking, cleaning, laundry tasks, etc.

Currently, the facility has only ten private rooms which do not have private showers. The proposed replacement facility anticipates all of the patient rooms will be private with full bathrooms including shower. A variety of room configurations will be offered. Each resident will have a direct phone line, wifi, and TV.

These current building has several deficiencies that will be eliminated as a result of this project. The emergency generator and wiring of the facility limit the amount of power available to support the needs of residents in a power outage. The facility is a two story building and currently has only one elevator.

The intersection from which you access the facility is very congested. As part of this project a new traffic signal will be installed. The entry drive into the site will be relocated farther from the intersection to allow a safer traffic pattern. The site will also be made safer by closing a through road on the site and eliminating a secondary point of access.

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

- 1. For fixed-site major medical equipment (not replacing existing equipment):**
  - a. Describe the new equipment, including:**
    - 1. Total cost; (As defined by Agency Rule).**
    - 2. Expected useful life;**
    - 3. List of clinical applications to be provided; and**
    - 4. Documentation of FDA approval.**
  - b. Provide current and proposed schedules of operations.**

Response: Not applicable. This project does not involve any major medical equipment.

**2. For mobile major medical equipment:**

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost.**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

Response: Not applicable

**3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Response: Not applicable

**III. (A) Attach a copy of the plot plan of the site on 8 ½" x 11" sheet of white paper which must include:**

- 1. Size of site (in acres);**
  - 2. Location of structure on the site; and**
  - 3. Location of the proposed construction.**
  - 4. Names of streets, roads or highways that cross or border the site.**
- Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.**

Response: See Attachments B.III.(A).2, B.III.(A) 1 & 3 and B.III.(A) 4

**(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Response: The site is not currently served by public transportation routes. The proposed site is easily accessible by I-75 and US Highway 41 (Ringgold Road).

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on 8 ½ x 11" sheet of white paper.**

**Note: DO NOT SUBMIT BLUEPRINTS. Simple line drawing should be submitted and need not be drawn to scale.**

Response: See Attachment B.IV.

- V. For a Home Health Agency or Hospice, identify:**

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

Response: Not Applicable.

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

### **QUESTIONS**

#### **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth, if applicable.
  - a. Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Please list each principle and follow it with a response.

Response: The five principals outlined in the State Health Plan of achieving better health are:

1. The purpose of the State Health Plan is to improve the health of Tennesseans;
  - Response: The implementation of this project will improvement the health of the residents of Hamilton County. The applicant provides a high amount of rehab inpatient and outpatient services. Currently approximately 76 percent of the patients at Life Care Center of East Ridge are receiving rehab care. The amount of rehab space will be increased from 1,331 square feet to 4,222 square feet. Large treatment space and private treatment rooms will be available. An outdoor therapy courtyard, with a variety of walking surfaces and transitions, will be located adjacent to the therapy gym.

**2. Every citizen should have reasonable access to health care;**

- Response: Life Care Center of East Ridge is accessible from I-75 and US Highway 41 (Ringgold Road). Accessibility will be improved by the relocation of the entry drive and the installation of a traffic light to allow a safer traffic pattern.

**3. The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;**

- Response: This proposed project will address the needs of the residents of the service area by replacing a 40 year old facility with a state-of-the art building with all private rooms. The demand for private beds cannot be met in the existing building. Because of lack of space in the present building, there are many economic inefficiencies created. Some of the inefficiencies are congestion, the location of the laundry in another building, lack of rehab space, etc. The replacement of the existing building will improve the system of caring for the elderly in Hamilton County.

**4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers;**

- Response: The applicant is licensed by the Tennessee Department of Health, and is certified by the Centers for Medicare and Medicaid Services. In addition, it is accredited by the Joint Commission for Accreditation of Healthcare Organizations. The applicant will continue to be licensed, certified, and accredited by these agencies.

**5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**

- Response: Life Care works closely with Southern Adventist University, located in Hamilton County, to collaborate on the curriculum used for their Health Care Administrator's Program. Life Care Center of East Ridge also recruits graduates from the nursing and CNA programs of Cleveland State Community College and Lee University.

In summary, this project will benefit the residents of Hamilton County with improved nursing home accommodations and expanded rehab capabilities. Since the number of beds is being reduced, there should not be an adverse impact on nursing home providers in the service area.

The implementation of this proposed project furthers the ability of the residents of Hamilton County to achieve better health. Several factors will increase the accessibility better care to the aging population of Hamilton County. Some of these factors are:

- the increase in the number of private rooms from 4 to 108
- substantially more outside space ( gardens, patios, space for outdoor activities, etc.)
- elimination of a congested entrance to the facility
- more space for rehab
- a larger dining room and food service

In summary, this project will benefit the residents of Hamilton County with improved nursing home accommodations and expanded rehab capabilities. Since the number of beds is being reduced, there should not be an adverse impact on nursing home providers in the service area.

- b. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the Guidelines for Growth) here.**

Response: Two of the guidelines are applicable to this application: (1) Nursing Home Services, and (2) Construction, Renovation, Expansion, and Replacement of Health Care Institutions. The Change of Site guideline is not applicable because the new facility will be constructed on the existing site plus adjacent land already owned by the applicant.

## **NURSING HOME SERVICES**

**Public Chapter No. 1112, Senate Bill No. 2463, which passed during the 1998 legislative sessions, amended and changed the codes sections establishing the bed need formula that the Health Facilities Commission must follow when granting certificates of need for nursing home beds in Tennessee. During a fiscal year (July 1 – June 30), the Commission shall issue no more than the designated number of Medicare skilled nursing facility beds for applicants filing for a certificate of need. The number of Medicare skilled nursing facility beds issued shall not exceed the allocated number of beds for each applicant. The applicant must also specify in the application the skilled services to be provided and how the applicant intends to provide such services.**

### **A. Need**

- 1. According to TCA 68-11-108, the need for nursing home beds shall be determined by apply the following population-based statistical methodology:**

$$\begin{aligned}\text{County bed need} = & .0005 \times \text{pop. 65 and under, plus} \\ & .0120 \times \text{pop. 65-74, plus} \\ & .0600 \times \text{pop. 75-84, plus} \\ & .1500 \times \text{pop. 85, plus}\end{aligned}$$

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.

Response: Using the methodology outlined in item 1, and the population estimates developed by the Department of Health, the nursing home bed need was calculated for 2015 and 2016. An outstanding CON (Chattanooga - Hamilton County Hospital Authority - CN 1012-056) for 25 skilled beds is the only outstanding CON for nursing home beds in Hamilton County.

Table 2  
Projected Bed Need – Hamilton County

Age Group	Use Rate	Population		Bed Need	
		2015	2016	2015	2016
Under 65	.0005	291,299	291,440	145.6	145.7
65-74	.0120	33,759	35,025	405.1	420.3
75-84	.0600	16,850	17,067	1,011.0	1,024.0
85+	.1500	7,365	7,392	1,104.8	1,108.8
Total	-	349,273	350,924	2,666.5	2,698.8
Existing Licensed Beds				1,779	1,779
Outstanding CONs Beds				25	25
Additional Bed Need				887	895

Source: Tennessee Population Projects 2010 – 2020, Office of Health Statistics (2013 Revision)

In 2015, an additional 887 beds will be needed in Hamilton County, and increases to 895 beds in 2016. Need for nursing home bed utilization is projected to increase in Hamilton County.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.



Response: An inventory of the licensed nursing home beds in Hamilton County is presented in the following table. There is one outstanding CON for nursing home beds in Hamilton County, CN 1012-056) for 25 skilled beds.

Table 3  
Inventory Nursing Home Beds 2014  
Hamilton County

Facility	Licensed Beds
Alexian Village Health & Rehabilitation	114
Consulate Health Care of Chattanooga	127
Life Care Center of Collegedale	124
Life Care Center of East Ridge	130
Life Care Center of Hixson	108
Life Care Center of Ooltewah	120
Life Care Center of Red Bank	148
NHC Healthcare, Chattanooga	207
Siskin Hospital's Subacute Rehabilitation	29
Soddy Daisy Healthcare Center	120
St. Barnabas Nursing Home	108
The Health Center at Standifer Place	444
Total	1,779

4. **“Service Area” shall mean the county or counties represented on an application as reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.**

Response: The service area for this project is Hamilton County. The majority of the population of Hamilton County resides within 30 minutes of the proposed facility.

5. **The Health Facilities Commission may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:**

- a. **All outstanding CON projects in the proposed service area resulting in a net increase beds are licensed and in operation, and**

Response: Not applicable. No new beds are requested.

- b. **All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.**

Response: Not applicable. No new beds are requested.

**B. Occupancy and Size Standards:**

1. **A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.**

Response: The applicant is projecting an occupancy rate in excess of 90 percent during its third year of operation.

2. **There shall be no additional nursing home beds approved for a service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently non-complying with quality assurance regulations shall be considered in determining the service areas, average occupancy rates.**

Response: Not applicable. No new beds are requested.

3. **A nursing home seeking approval to expand its bed capacity must have maintained an occupancy of 95 percent for the previous year.**

Response: Not applicable

4. **A free-standing nursing home shall a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.**

Response: The facility will contain 108 beds.

## **CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS**

- 1. Any project that includes the addition of beds, services, or medical equipment will be review under the standards for those specific activities.**

Response: Not applicable. This application does not request any additional beds, services, or medical equipment.

- 2. For relocation or replacement of an existing licensed health care institution:**

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

Response: The applicant had planned a major renovation to the existing facility and started a Certificate of Need application for the renovation of the existing facility in 2012. The construction costs for this renovation was estimated to be \$13,295,700. Because of this high renovation cost and because the renovated facility would not contain several advantages of all new construction, it was determined that the major renovation was not the best alternative. The estimated construction cost for this state-of-the art new facility, as described in this application, is estimated to be \$14,837,000.

- b. The application should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

Response: During 2013, Life Care Center of East Ridge provided 30,050 days of patient care. The number of the residents over 60 years of age is rapidly increasing in Hamilton County. Between 2006 and 2016, the number of those over 60 years of age is expected to increase by 21,992 residents, or over 12 percent. The nursing home bed formula (see Table 2) determines a need for an additional 895 beds in 2016. Clearly there is a need for this nursing home.

- 3. For renovation or expansions of existing licensed health care institution:**

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Response: Not Applicable.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

Response: Not Applicable.

- c. Applications that include a Change of Site for a health care institution, provide a response to the General Criteria and Standards (4)9a-c).**

Response: Not Applicable.

- d. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth.**

Response: Not Applicable

- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

Response: The project is consistent with Life Care's mission of being responsive to the long-term health care needs of the community, and should direct its resources to meet those needs in a cost effective manner.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: Hamilton County is the primary service area. Hamilton County is expected have a census of 349,273 in 2015. A service area map is presented in Attachment C. Need .3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

Response: A selected demographic profile of the service area, compared to the state of Tennessee, is shown in the following tables. In summary, the demographics of the service area are (1) a population growth rate less than the state, (2) population of those over 60 years of age is estimated to be 83,038 in 2016, and (3) median household income is approximately five percent higher than that of the state.

Table 4  
Demographic Profile  
Hamilton County, Tennessee

<b>Demographic Variable/ Geographic Area</b>	<b>Hamilton County</b>	<b>State of TN Total</b>
Total Population – Current Year	347,451	6,588,698
Total Population – Projected Year 2016	350,924	6,710,579
Total Population - % change	1.0%	1.8%
*Target Population – Current Year (60)+	78,961	1,379,975
*Target Population – Projected Year 2016	83,038	1,459,307
Target Population - % Change	5.2%	5.8%
Target Population – Projected Year as % of Total	22.7%	20.9%
Median Age	39.0	38.0
Median Household Income	\$46,544	\$44,140
TennCare Enrollees	55,258	1,206,538
TennCare Enrollees as % of Total	16.1%	18.7%
Persons Below Poverty Level	55,605	1,118,932
Persons Below Poverty Level as % of Total	16.2%	17.3%

*\*Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for the discontinuance of OB services would mainly affect Females Age 15-44; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. For projects not having a specific target population use the Age 65+ population for the target population variable.*

Table 5  
Hamilton County – Population Projections

Age	2006	2016	2006 – 2016 % Increase
60 – 64	16,411	23,554	43.5
65 – 74	23,039	35,025	52.0
75 – 84	15,367	17,067	11.0
85+	6,229	7,392	18.6
Subtotal (60 +)	61,046	83,038	36.0
Total	312,909	350,924	12.1

Source: Tennessee Population Projects 2000 – 2010 & 2010 – 2020,  
Office of Health Statistics

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

Response: The utilization of each of the nursing home providers in the service area for the past three years is presented in Attachment C, Need.5. The utilization is summarized for all of the nursing homes in Hamilton County in the following table.

Table 6  
Hamilton County Utilization  
2010 -2012

Year	Licensed Beds	Patient Days	Occupancy Rate
2010	1,689	533,302	86.5%
2011	1,671	514,577	84.4%
2012	1,659	514,504	85.0%

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

Response: The utilization data for Life Care Center of East Ridge is presented in the following table. Life Care has recently opened several new nursing facilities. The utilization projected for the first and second years of operation was based on their experience in opening these facilities.

Table 7  
Life Care Center of East Ridge  
Historical Utilization

**Applicant Facility Historical and Projected Utilization – Part 1**

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Medicaid/TennCare NF Level 1 ADC	Medicaid/TennCare NF Level 2 ADC	SNF All other Payors ADC	NF All other Payors ADC	Total ADC	Licensed Occupancy %
2011	160	160	75.7	-	-	4.8	20.3	100.8	63.0
2012	130	130	61.5	-	-	10.1	21.5	93.1	71.6
2013	130	130	55.9	-	-	5.3	21.1	82.3	63.3
2014	130	130	48.8	-	-	4.6	18.5	71.9	55.3
Interim Year 1	Closed								
Interim Year 2	Closed								
Interim Year – etc.	Closed								
Project Year 1	108	108	28.2	-	-	1.8	7.6	37.6	34.8
Project Year 2	108	108	53.4	-	-	3.4	14.3	71.1	65.8

\*Includes dually-certified beds

**Applicant Facility Historical and Projected Utilization – Part 2**

Variable	2011	2012	2013	2014(P)	Year 1	Year 2
Beds	160	130	130	130	108	108
Patient days	36,790	33,963	30,050	26,238	13,707	25,934
Average Daily Census	100.8	93.1	82.3	71.9	37.6	71.1
% Occupancy	63.0	71.6	63.3	55.3	34.8	65.8

(P) Projected

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

Response: Excluding the filing fee, the estimated project cost, as shown on the Project Costs Chart (line D), is \$24,847,400. With this project cost, the filing fee is \$45,000 and is shown on Line E of the Project Costs Chart.

- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. This methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: The lease will have a term of 10 years with annual payments estimated to be \$1,012,000 and a FMV of \$10,120,000 for the term of the lease. The FMV of the site and construction is higher than the FMV of the lease, it was used to determine the project cost.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response: The equipment cost is estimated to be \$1,780,000 and includes all of these items where applicable.

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response: Attachment C, Economic Feasibility 1.2 presents a letter from the project architect outlining the estimated construction cost.



# PROJECT COSTS CHART

001414229

## A. Construction and equipment acquired by purchase

1. Architectural and Engineering Fees	\$ 740,000
2. Legal, Administrative (Excluding CON Filing Fee), Consulting Fees	\$ 75,000
3. Acquisition of Site	\$ 3,722,400
4. Preparation of Site	\$ 1,800,000
5. Construction Costs	\$ 14,837,000
6. Contingency Fund	\$ 500,000
7. Fixed equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000)	\$ 1,780,000
9. Other (Specify) <u>permits, review fees</u>	\$ 120,000

## B. Acquisition by gift, donation, or lease:

1. Facility (FMV of Lease)	\$
2. Building only	\$
3. Land only	\$
4. Equipment	\$
5. Other (Specify) (_____)	\$

## C. Financing Costs and Fees

1. Interim Financing	\$
2. Underwriting Costs	\$ 420,000
3. Reserve for One Years Debt Service	\$ 685,000
4. Other (Specify) <u>Interest During Construction</u>	\$ 150,000

D. Estimated Project Cost (A+B+C)	\$ 24,829,400
E. CON Filing Fee	\$ 45,000
F. Total Estimated Project Cost (D+E)	\$ 24,874,400

2. Identify the funding sources for this project.

a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☒ A. Commercial loan—from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds—Copy of preliminary resolution or letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes the appropriate meeting.
- ☐ D. Grants—Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash Reserves—Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from other sources.

Response: The project will be funded with a bank loan from Bank of Texas. A letter stating the willingness to finance this project is presented in Attachment C. Economic Feasibility.2.1.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The following nursing home new construction cost per square foot data was received from the HSDA: Median - \$167.31, and a third quartile of \$176.00. This data was developed using the nursing home CON application filed between 2011 and 2013. With an anticipated construction cost of \$185.00 per square foot, the expected construction cost for this project is reasonable compared to those projects in the HSDA database.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: These charts have been completed.

**5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Response: The expected average gross charge, average deduction from operating revenue and the average net charge per patient day is as follows:

	Year 1	Year 2
Average gross charge	\$500.64	\$699.77
Average deduction	\$59.03	\$270.23
Average net charge	\$441.61	\$429.54

# HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in Jan (Month).

		2011	2012	2013
A.	Utilization Data (Total Patient Days)	36,865	33,959	30,053
B.	Revenue from Services to Patients			
	1. Inpatient Services	15,251,547	14,367,222	13,281,983
	2. Outpatient Services	243,468	223,348	410,664
	3. Emergency Services			
	3. Other Operating Revenue	27,362	35,501	35,942
	<b>GROSS OPERATING REVENUE</b>	15,522,377	14,626,071	13,728,589
C.	Deductions form Operating Revenue			
	1. Contractual Adjustments	<499,760>	1,428,282	1,890,043
	2. Provision for Charity Care			
	3. Provision for Bad Debt	525,236	379,133	457,262
	<b>Total Deductions</b>	25,476	1,807,415	2,347,305
	<b>NET OPERATING REVENUE</b>	15,496,901	12,818,656	11,381,284
D.	Operating Expenses			
	1. Salaries and Wages (Includes Benefits)	7,821,515	7,256,638	6,214,395
	2. Physician's Salaries and Wages			
	3. Supplies	2,173,063	1,947,514	1,682,827
	4. Taxes	105,340	104,560	106,144
	5. Depreciation	20,701	1,731	333
	6. Rent	665,586	665,097	618,904
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates	774,845	640,932	571,103
	b. Fees to Non-Affiliate			
	9. Other Expenses See Page 31 *	2,643,479	2,370,861	2,179,588
	<b>Total Operating Expenses</b>	13,429,684	12,346,401	10,802,191
E.	Other Revenue (Expenses) - Net (Spec.)			
	<b>NET OPERATING INCOME (LOSS)</b>	1,292,372	<168,677>	7,990
F.	Capital Expenditures			
	1. Retirement of Principal	8,307.89	0	0
	2. Interest	230	0	2
	<b>Total Capital Expenditures</b>	8,537.89	0	2
	<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	1,283,834.11	<168,677>	7,988

# PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

		Year 1	Year 2
A.	Utilization Data (Cases)	13,707	25,934
B.	Revenue from Services to Patients		
	1. Inpatient Services	6,814,500	13,590,261
	2. Outpatient Services	42,750	214,985
	3. Emergency Services		
	4. Other Operating Revenue (Specify)	5,000	12,140
	<b>GROSS OPERATING REVENUE</b>	6,862,250	13,817,386
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	617,826	2,497,867
	2. Provision for Charity Care		
	3. Provision for Bad Debt	191,358	180,000
	<b>Total Deductions</b>	809,184	2,677,867
	<b>NET OPERATING REVENUE</b>	6,053,066	11,139,519
D.	Operating Expenses		
	1. Salaries and Wages	3,493,767	5,036,033
	2. Physician's Salaries and Wages		
	3. Supplies	1,112,055	2,283,221
	4. Taxes	122,000	140,000
	5. Depreciation	20,000	20,000
	6. Rent	1,200,000	1,200,000
	7. Interest, other than Capital		
	8. Other Expenses <u>See attached list *</u>	2,242,363	1,699,492
	<b>Total Operating Expenses</b>	8,190,185	10,378,746
E.	Other Revenue (Expenses)-Net Management Fees	<302,653>	<556,976>
	<b>NET OPERATING INCOME (LOSS)</b>	<2,439,772>	203,797
F.	Capital Expenditures		
	1. Retirement of Principal	20,000	20,000
	2. Interest	2,500	2,500
	<b>Total Capital Expenditures</b>	22,500	22,500
	<b>NET OPERATING INCOME (LOSS) LESS</b>	<2,462,272>	181,297

\* Contract Services/Repair and Maint/Insurance

## HISTORAL DATA CHART – OTHER EXPENSES

<b><u>OTHER EXPENSES CATEGORIES</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
1. Repair & Maintenance	\$40,382	\$57,953	\$57,054
2. Contract Services	\$488,853	\$524,826	\$452,652
3. Associated First Aid	\$10,334	\$8,468	\$9,139
4. Workers Comp	\$122,802	\$118,768	\$132,195
5. Prop/Liab Insurance	\$146,971	\$103,270	\$182,409
6. Other Expenses	\$1,834,137	\$1,557,576	\$1,346,139
<b>Total Other Expenses</b>	<b>\$2,643,479</b>	<b>\$2,370,861</b>	<b>\$2,179,588</b>

## PROJECTED DATA CHART – OTHER EXPENSES

<b><u>OTHER EXPENSES CATEGORIES</u></b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>
1. Repairs & Maintenance	\$18,253	\$32,000
2. Contract Services	\$317,083	\$440,552
3. Associated First Aid	\$7,561	\$6,164
4. Workers Comp	\$100,818	\$36,276
5. Prop/Liab. Insurance	\$141,000	\$164,235
6. Other Expenses	\$1,657,648	\$1,020,265
<b>Total Other Expenses</b>	<b>\$2,242,363</b>	<b>\$1,699,492</b>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.
- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response:

Response: The 2012 Joint Annual Report (JAR) of Nursing Homes charge data contains the most currently available nursing home charge data. These charges were used to compare the current charges of the nursing homes in Hamilton County. As shown in the following table, the charges at Life Care Center of East Ridge are similar to other providers in the service area.

Table 8  
Daily Charge Comparisons

Facility	Medicare Skilled	Private Pay Private Room Level I
Alexian Way Care Center	\$462	\$269
Consulate Health Care	\$409	\$200
Life Care Center of Collegedale	\$482	\$228
Life Care Center of East Ridge	\$450	\$240
Life Care Center of Missionary Ridge	\$453	\$365
Life Care Center of Red Bank	\$414	\$275
NHC Chattanooga	\$459	\$208
Siskin	\$825	\$823
Soddy-Daisy Healthcare	\$423	\$190
St. Barnabas Healthcare Center	\$457	\$218
Standifer Place	\$495	\$235

Source: 2012 Joint Annual Report of Nursing Homes

The proposed facility will contain only private rooms. The expected daily room charge in the new facility is expected to be \$472 for Medicare skilled rooms and \$250 for private pay private rooms. These charges are similar to those currently in the service area.

Medicare pays nursing homes for Part A skilled nursing stays based on a prospective payment system, Resource Utilization Groups (RUGS), that categorizes each resident into a payment group depending upon his or her care and resource needs. Skilled nursing facilities determine a RUG based on 108 items on an assessment of the resident's known as the Minimum Data Set (MDS). The MDS becomes part of the patient's medical record. These 108 items are used to determine the RUG and the payment to the nursing home.

There are seven major RUG categories: Extensive Services, Special Care, Clinically Complex, Impaired Cognition, Behavior Problem, and Reduced Physical Function. These categories are further divided into 44 subcategories, each has a different Medicare payment rate. Because all Medicare reimbursement is based on this prospective payment system, there is not a practical way to compare Medicare reimbursement to the facility's charges.

The Joint Annual Report Data (JAR) was used to compare the charges at East Ridge with those of other nursing homes in the service area. As shown in the following table, the charges at East Ridge are comparable to the other nursing homes in the service area. The 2010 Joint Annual Report (JAR) of Nursing Homes charge data is the most current available nursing home charge data.

**7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

Response: As shown in the Projected Data Chart, the proposed project is expected to have a positive cash flow during its second year of operation. The expected utilization rate is sufficient to maintain a cost-effective facility.

**8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

Response: As shown in both the Projected Data Chart and the Historical Data Chart, the applicant has maintained a positive cash flow, and is expected to continue to do so after the proposed project is completed.



9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Response: The applicant will participate in the Medicare program. During the second year of operation, gross revenue from the Medicare is estimated to be \$9,880,353.

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Response: The financial statements for Life Care Center of East Ridge are presented in Attachment C, Economic Feasibility.10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
- a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

Response: As previously discussed, in 2012 a major renovation of the existing facility was considered. Because of the high cost of this renovation, a major renovation was not feasible. The proposed site is easily accessible by I-75 and US Highway 41 (Ringgold Road). A relocation to another site was not necessary.

- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Response: The original plan was to renovate the existing facility. During the planning of the major renovation, it was determined that new construction was the most feasible alternative and would result a higher quality facility.

## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

Response: Life Care operates 26 skilled nursing facilities in Tennessee. All of the facilities have transfer agreements with local hospitals. This facility has transfer agreements with the following hospitals: Erlanger Medical Center, Memorial Health Care System, Memorial North Park, Parkridge East Hospital, Parkridge Valley, and Skyridge.

Managed care, ancillary care (ambulance services, laboratory, etc.), and a hospice agreement are in place. Managed care agreements have been developed with Blue Advantage, Care Improvement, Cigna, Colonial Pen, Coventry, Health Springs, Humana, Nationwide, SS Healthcare, TriCare, UHC, and Windsor.

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

Response: This applicant is requesting to replace a 40 year old 130 bed facility with a 108 bed state-of-the-art facility on the existing site. The effects of this proposal is only positive on the health care system.

The replacement of the building will require the closing of the existing nursing home for approximately three years. Since Life Care Center of East Ridge has very high number of Level II (skilled Nursing care) who have a short length of stay. At the present time, there are 58 Level II patients and only eleven Level I (intermediate care) patients. The length of stay of the Level II patients is approximately 34 days. If admissions of new patients is suspended 45 days before the building is closed, most of the Level II patients not need to be transferred to another nursing home. The Level I patients will be encouraged to transfer to Life Care Center of Collegedale which is a distance of 11 miles and has a similar charge structure.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

Response: During the first year of operation, the patient care staffing is expected to be 87.5 FTEs. This staff includes 6 registered nurses, 16 licensed practical nurses, 32 certified nurse aides, 18 physical therapists, 3.5 speech therapists, and 12 occupational therapists. The expected salary, compared to those of the Tennessee Department of Labor & Workforce Development, is presented in the following table.

Table 9  
Salary Comparisons

Position	Expected Wage	State Median Wage
Registered Nurse	\$23.00	\$27.30
Licensed Practical Nurse	\$18.00	\$17.10
Certified Nursing Technician	\$11.50	\$11.30
Physical Therapist	\$36.00	\$40.05
Speech Therapist	\$33.00	\$35.45
Occupational Therapist	\$33.00	\$38.10

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response: The applicant has operated in the state for many years, and has always been successful in attracting and retaining adequate professional and support staff. The expected total staffing, during the first year of operation, is 120 FTES . The applicant does not anticipate a problem in recruiting this staff.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs*, record keeping, and staff education.**

Response: As indicated in other parts of this application, the applicant has operated in the State of Tennessee for over 40 years. The management company has been operating in the State of Tennessee since 1976, and manages 26 other nursing homes in the state.

Therefore, the management team and the management company are very familiar with, and understand all licensing and certification requirements of the State of Tennessee.

**6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

Response: Initially, the applicant is not planning to participate in the training of students.

**7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

Response: As noted in the response to question 5, Life Care has extensive experience in long term care, and is familiar with the Tennessee Department of Health's licensure requirements. The facility will be certified with Medicare. Life Care manages the operations of approximately 230 facilities currently certified by the Medicare program. The applicant understands the requirements of the various governmental authorities.

**(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

Response: Licensure: Life Care Center of East Ridge is licensed by the Tennessee Department of Health. A copy of the current license is presented in Attachment Orderly Development 7.(b).1

Certification: (1) Medicare – Centers for Medicare and Medicaid Services.

Accreditation: It is accredited by the Joint Commission for Accreditation of Healthcare Organization. A copy of the certificate is presented in Attachment Orderly Development 7.(b).2.

**If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

Response: A copy of the last inspection, the correction action plan and final clearance letter are presented in Attachment Orderly Development 7.(c).1.

- 8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

Response: None

- 9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

Response: None

- 10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Response: The applicant currently provides, and will continue to provide, appropriate agencies information concerning the number of patients treated, type of procedures performed, etc.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: Attached is the full page from the newspaper containing the notice of intent.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

Response: The chart is completed

2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Response: Because of the anticipated time required to complete this project, the applicant is requesting an extension of 12 months or a total time of 36 months.

Form HF0004  
Revised 05/03/04  
Previous Forms are obsolete

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): January 15, 2015. Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1. Architectural and engineering contract signed	30	January/2015
2. Construction documents approved by the Tennessee Department of Health	203	July/2015
3. Construction contract signed	233	August/2015
4. Building permit secured	264	September/2015
5. Site preparation completed	356	December/2015
6. Building construction commenced	387	January/2016
7. Construction 40% complete	538	June/2016
8. Construction 80% complete	691	November/2016
9. Construction 100% complete (approved for occupancy)	872	May/2017
10. *Issuance of license	902	June/2017
11. *Initiation of service	932	July/2017
12. Final Architectural Certification of Payment	962	August/2017
13. Final Project Report Form (HF0055)	993	September/2017

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**The applicant is requesting 36 month to complete this project.**

**ATTACHMENT A.4.1  
COPY OF CHARTER  
AND  
AMENDMENT TO CHARTER**



**Secretary of State**  
**Division of Business Services**  
**312 Eighth Avenue North**  
**6th Floor, William R. Snodgrass Tower**  
**Nashville, Tennessee 37243**

ISSUANCE DATE: 01/16/2008  
REQUEST NUMBER: 08016103A

CHARTER/QUALIFICATION DATE: 01/06/1976  
STATUS: ACTIVE  
CORPORATE EXPIRATION DATE: PERPETUAL  
CONTROL NUMBER: 0018476  
JURISDICTION: TENNESSEE

TO:  
CFS  
8161 HIGHWAY 100  
#172  
NASHVILLE, TN 37221

REQUESTED BY:  
CFS  
8161 HIGHWAY 100  
#172  
NASHVILLE, TN 37221

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT  
-----  
"LIFE CARE CENTERS OF AMERICA, INC."  
-----

WAS INCORPORATED OR QUALIFIED TO DO BUSINESS IN THE STATE OF TENNESSEE ON THE  
ABOVE DATE, AND THAT THE ATTACHED DOCUMENT(S) WAS/WERE FILED IN OFFICE ON THE  
DATE(S) AS BELOW INDICATED:

REFERENCE NUMBER	DATE FILED	FILING TYPE	FILING ACTION
BC11P5952	01/06/1976	CHART-PROFIT	NAM DUR STK PRN OFC AGT INC MAL FYC
1136-0317	01/30/1989	AMEND-CHARTER	X
4420-2053	02/14/2002	AMEND-CHARTER	X

-----  
FOR: REQUEST FOR COPIES

ON DATE: 01/16/08

FEEs

FROM:  
CAPITAL FILING SERVICE (CFS)  
8161 HIGHWAY 100  
#172  
NASHVILLE, TN 37221-0000

RECEIVED: \$140.00 \$0.00  
TOTAL PAYMENT RECEIVED: \$140.00

RECEIPT NUMBER: 00004308742  
ACCOUNT NUMBER: 00101230



SS-4458

*Riley C Darnell*

RILEY C. DARNELL  
SECRETARY OF STATE

CHARTER  
OF  
LIFE CARE CENTERS OF AMERICA, INC.

The undersigned natural person, having capacity to contract and acting as the incorporator of a corporation under the Tennessee General Corporation Act, adopts the following Charter for such corporation:

1. The name of the Corporation is LIFE CARE CENTERS OF AMERICA, INC.

2. The duration of the corporation is perpetual.

3. The address of the principal office of the Corporation in the State of Tennessee shall be 1308 South Lee Highway, Cleveland, Bradley County, Tennessee.

4. The corporation is for profit.

5. The purpose or purposes for which the corporation is organized are:

To own, hold, lease or rent as lessor or lessee or landlord or tenant, and dispose of, nursing homes, convalescent centers, and retirement centers, or properties of like nature or kind, within or without the State of Tennessee, either in its corporate name or as a limited or general partner with other corporations, persons, or firms, and to own, hold, and dispose of the corporate stocks and securities of corporations, domestic or foreign, owning or leasing or renting such properties, and

To engage in any and all activities and do all things not prohibited by law to a corporation organized for profit under the laws of the State of Tennessee or reserve to corporations required to be organized under statutes other than the general corporations laws of Tennessee or requiring a special limited or restricted license.

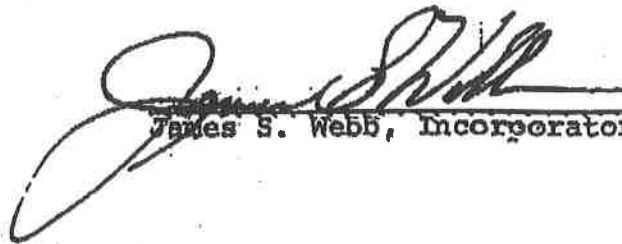
6. The maximum number of shares which the Corporation shall have the authority to issue is Ten Thousand (10,000) shares each of which shall have a par value of One Dollar [\$1.00].

JANUARY 6, 1976

VOLUME C-11, PAGE 5953

7. The corporation will not commence business until consideration of not less than One Thousand Dollars (\$1000.00) has been received for the issuance of shares.

Dated this 12th day of December, 1975.



James S. Webb, Incorporator

I, JOE C. CARR, Secretary of State, do certify that this Charter, with certificate attached, the foregoing of which is a true copy, was this day registered and certified to by me.

This the 6th day of January, 1976

JOE C. CARR,  
SECRETARY OF STATE

FEE: \$ 20.00

RECEIVED  
STATE OF TENNESSEE  
89 JAN 30 PM 3:13  
SECRETARY OF STATE

ARTICLES OF AMENDMENT TO THE CHARTER  
OF

LIFE CARE CENTERS OF AMERICA, INC.

Pursuant to the provisions of Section 48-20-106 of the Tennessee Business Corporation Act, the undersigned corporation adopts the following articles of amendment to its charter:

1. The name of the corporation is Life Care Centers of America, Inc.

2. The text of each amendment adopted is:

The address of the principal office in the State of Tennessee shall be:

3570 Keith Street, N.W.  
Bradley County  
Cleveland, Tennessee 37312

3. The corporation is a for-profit corporation.

4. The manner (if not set forth in the amendment) for implementation of any exchange, reclassification, or cancellation of issued shares is as follows:

N/A

5. The amendment was duly adopted on January 13, 1989 by ~~(the board of directors)~~ (the board of directors without shareholder approval, as such is not required) (the shareholders).

[NOTE: Please strike the choices which do not apply to this amendment.]

6. If the amendment is not to be effective when these articles are filed by the Secretary of State, the date/time it will be effective is

\_\_\_\_\_, 19\_\_\_\_ (date) \_\_\_\_\_ (time),

[NOTE: The delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

January 13, 1989  
Signature Date  
\_\_\_\_\_  
Chairman  
\_\_\_\_\_  
Signer's Capacity

LIFE CARE CENTERS OF AMERICA, INC.  
Name of Corporation  
Forrest L. Preston  
Signature  
Forrest L. Preston  
Name (typed or printed)

4420 20153

State of Tennessee



Department of State  
Corporate Filings  
312 Eighth Avenue North  
6th Floor, William R. Snodgrass Tower  
Nashville, TN 37243

ARTICLES OF AMENDMENT  
TO THE CHARTER  
(For-Profit)

For Office Use Only

RECEIVED  
STATE OF TENNESSEE  
02 FEB 14 PM 3:23  
FILED: JARVIS  
SECRETARY OF STATE

CORPORATE CONTROL NUMBER (IF KNOWN) 0018476

PURSUANT TO THE PROVISIONS OF SECTION 48-20-106 OF THE TENNESSEE BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION ADOPTS THE FOLLOWING ARTICLES OF AMENDMENT TO ITS CHARTER:

1. PLEASE INSERT THE NAME OF THE CORPORATION AS IT APPEARS OF RECORD:  
LIFE CARE CENTERS OF AMERICA, INC.

IF CHANGING THE NAME, INSERT THE NEW NAME ON THE LINE BELOW:

2. PLEASE MARK THE BLOCK THAT APPLIES:

- ☒ AMENDMENT IS TO BE EFFECTIVE WHEN FILED BY THE SECRETARY OF STATE.  
☐ AMENDMENT IS TO BE EFFECTIVE, \_\_\_\_\_ (MONTH DAY YEAR)

(NOT TO BE LATER THAN THE 90TH DAY AFTER THE DATE THIS DOCUMENT IS FILED.) IF NEITHER BLOCK IS CHECKED, THE AMENDMENT WILL BE EFFECTIVE AT THE TIME OF FILING

3. PLEASE INSERT ANY CHANGES THAT APPLY:

- A. PRINCIPAL ADDRESS: \_\_\_\_\_ STREET ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE/COUNTY \_\_\_\_\_ ZIP CODE \_\_\_\_\_  
B. REGISTERED AGENT: Forrest I. Preston  
C. REGISTERED ADDRESS: 3570 Keith Street, N.W.  
Cleveland TN 37230 Bradley  
CITY STATE ZIP CODE COUNTY  
D. OTHER CHANGES: \_\_\_\_\_

4. THE CORPORATION IS FOR PROFIT.

5. THE MANNER (IF NOT SET FORTH IN THE AMENDMENT) FOR IMPLEMENTATION OF ANY EXCHANGE, RECLASSIFICATION, OR CANCELLATION OF ISSUED SHARES IS AS FOLLOWS:

6. THE AMENDMENT WAS DULY ADOPTED ON February 14 2002 (MONTH DAY YEAR)  
BY (Please mark the block that applies):

- ☐ THE INCORPORATORS WITHOUT SHAREHOLDER ACTION, AS SUCH WAS NOT REQUIRED.  
☒ THE BOARD OF DIRECTORS WITHOUT SHAREHOLDER APPROVAL, AS SUCH WAS NOT REQUIRED.  
☐ THE SHAREHOLDERS.

Vice President/Treasurer

SIGNER'S CAPACITY

February 14, 2002

DATE

SIGNATURE

J. Stephen Ziegler

NAME OF SIGNER (TYPED OR PRINTED)

## **ATTACHMENT A.4.2 COPY OF BYLAWS**

BY-LAWS  
OF  
LIFE CARE CENTERS OF AMERICA, INC.

ARTICLE I  
MEETINGS OF SHAREHOLDERS

1. Annual Meeting. The annual meeting of the shareholders shall be held at such time and place, either within or without this State, as may be designated from time to time by the directors. Unless the time is otherwise specified by the directors, said meeting shall be held on the first Monday in February of each year, or as close thereto as practicable.
2. Special Meetings. Special meetings of the shareholders may be called by the President, a majority of the board of directors, or by the holders of not less than one-tenth (1/10) of all the shares entitled to vote at such meeting. The place of said meetings shall be designated by the directors.
3. Notice of Shareholder Meetings. Written or printed notice stating the place, day, and hour of the meeting, and in the case of a special meeting the purpose or purposes for which the meeting is called and the person or persons calling the meeting, shall be delivered either personally or by mail by or at the direction of the President, Secretary, officer, or person calling the meeting to each shareholder



entitled to vote at the meeting. If mailed, such notice shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, and shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid. If delivered personally, such notice shall be delivered not less than five (5) nor more than sixty (60) days before the date of the meeting, and shall be deemed delivered when actually received by the shareholder. The person giving such notice shall certify that the notice required by this paragraph has been given.

4. Quorum Requirements. A majority of the shares entitled to vote shall constitute a quorum for the transaction of business. A meeting may be adjourned despite the absence of a quorum, and notice of an adjourned meeting need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. When a quorum is present at any meeting, a majority in interest of the stock there represented shall decide any question brought before such meeting, unless the question is one upon which, by express provision of this corporation's charter, these by-laws, or by the laws of Tennessee, a larger or different vote is required, in which case such express provision shall govern the decision of such question.

5. Voting and Proxies. Every shareholder entitled to vote at a meeting may do so either in person or by written

proxy which shall be filed with the secretary of the

meeting before being voted. Such proxy shall entitle the holders thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy.

## ARTICLE II

### BOARD OF DIRECTORS

1. Qualification and Election. Directors need not be shareholders or residents of this State, but must be of legal age. They shall be elected by a plurality of the votes cast at the annual meetings of the shareholders. Each director shall hold office until the expiration of the term for which he is elected, and thereafter until his successor has been elected and qualified. The term of each director shall be fixed by the shareholders at the time of his election but shall not exceed three (3) years.
2. Number. The number of directors shall be fixed from time to time by the shareholders, or by a majority of the entire board of directors, but shall never be less than three (3), unless there are also less than three (3) shareholders, in which case the number of directors may equal the number of shareholders.
3. Meetings. The annual meeting of the board of directors shall be held immediately after the adjournment of the annual meeting of the shareholders, at which time the officers of the corporation shall be elected. The board may also designate more frequent intervals for regular

meetings. Special meetings may be called at any time by the Chairman of the Board, President, or any two (2) directors.

4. Notice of Directors' Meetings. The annual and all regular board meetings may be held without notice. Special meetings shall be held upon notice sent by any usual means of communication not less than three (3) days before the meeting.

5. Quorum and Vote. The presence of a majority of the directors shall constitute a quorum for the transaction of business. A meeting may be adjourned despite the absence of a quorum, and notice of an adjourned meeting need not be given if the time and place to which the meeting is adjourned are fixed at the meeting at which the adjournment is taken, and if the period of adjournment does not exceed thirty (30) days in any one adjournment. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board, unless the vote of a greater number is required by these by-laws or any applicable statutory provision.

6. Executive and Other Committees. The board of directors, by a resolution adopted by a majority of its members, may designate an executive committee, consisting of two or more directors, and other committees, consisting of two or more persons, who may or may not be directors, and may delegate to such committee or committees any and all such authority as it deems desirable, including the right to delegate to an executive committee the power to exercise all the authority

of the board of directors in the management of the affairs and property of the corporation.

### ARTICLE III

#### OFFICERS

1. Number. The corporation shall have a Chairman of the Board, President, Vice-President, a Secretary, a Treasurer, and such other officers as the board of directors shall from time to time deem necessary. Any two or more offices may be held by the same person, except the offices of President and Secretary.

2. Election and Term. The officers shall be elected by the board at its annual meeting. Each officer shall serve until the expiration of the term for which he is elected, which shall not exceed two (2) years, and thereafter until his successor has been elected and qualified.

3. Duties. All officers shall have such authority and perform such duties in the management of the corporation as are normally incident to their offices and as the board of directors may from time to time provide.

### ARTICLE IV

#### RESIGNATIONS, REMOVALS

#### AND VACANCIES

1. Resignations. Any officer or director may resign at any time by giving written notice to the chairman of the board, the president, or the secretary. Any such resignation shall take effect at the time specified therein, or, if no time is specified, then upon its acceptance by the board of directors.

Such resignation shall be without prejudice to the contract rights of the corporation, if any, under any contract between the corporation and the resigning officers of directors.

2. Removal of Officers. Any officer or agent may be removed by the board whenever in its judgment the best interests of the corporation will be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the person so removed, but also states that the election or appointment of such officer or agent shall not in and of itself create any such rights.

3. Removal of Directors. Any or all of the directors may be removed either with or without cause by a proper vote of the shareholders; and may be removed with cause by a majority vote of the entire board.

4. Vacancies. Newly created directorships resulting from an increase in the number of directors, and vacancies occurring in any office or directorship for any reason, including removal of an officer or director, may be filled by the vote of a majority of the directors then in office, even if less than a quorum exists.

## ARTICLE V

### CAPITAL STOCK

1. Stock Certificates. Every shareholder shall be entitled to a certificate or certificates of capital stock of the corporation in such form as may be prescribed by the board of directors. Unless otherwise decided by the board,

such certificates shall be signed by the president and the secretary of the corporation.

2. Transfer of Shares. Shares of stock may be transferred on the books of the corporation by delivery and surrender of the properly assigned certificate, but subject to any restrictions on transfer imposed by either the applicable securities laws or any shareholder agreement.

3. Loss of Certificates. In the case of the loss, mutilation, or destruction of a certificate of stock, a duplicate certificate may be issued upon such terms as the board of directors shall prescribe.

#### ARTICLE VI

##### ACTION BY CONSENT

Whenever the shareholders or directors are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by all the persons or entities entitled to vote thereon.

#### ARTICLE VII

##### AMENDMENT OF BY-LAWS

These by-laws may be amended, added to, or repealed either by: (1) a majority vote of the shares represented at any duly constituted shareholders' meeting, or (2) a majority vote of the entire board of directors. Any change in the by-laws made by the board of directors, however, may be amended or repealed by the shareholders.

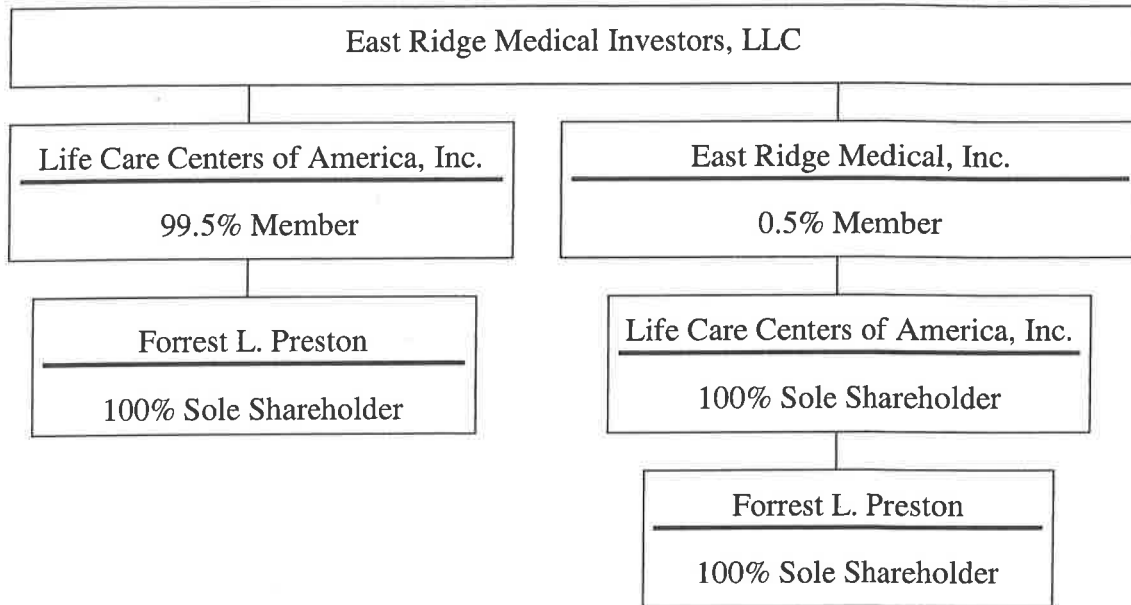
**ATTACHMENT A.4.3  
COPY OF  
CORPORATE ORGANIZATION CHART**

***Life Care Center of East Ridge***

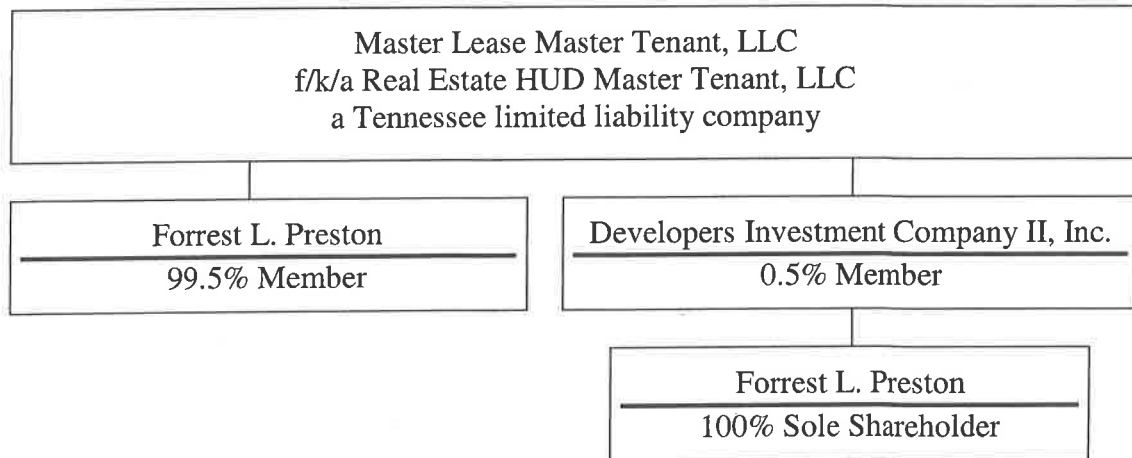
1500 Fincher Avenue  
East Ridge, Tennessee 37412

(April 2013)

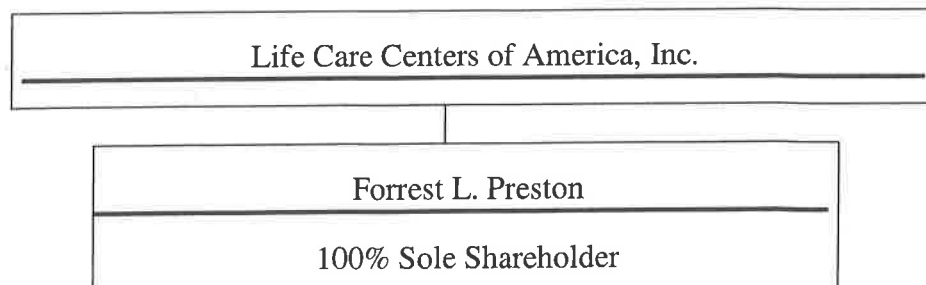
***LESSOR***



***MASTER TENANT / SUB-LESSOR***



***SUB-LESSEE / LICENSE HOLDER***





**ATTACHMENT A.6.1**  
**COPY OF LEASE**

**DRAFT**

**LEASE AGREEMENT**

THIS LEASE AGREEMENT (this "Lease") is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 2014, by and between **EAST RIDGE MEDICAL INVESTORS, LLC**, a Tennessee limited liability company (hereinafter referred to as "Lessor"), and **LIFE CARE CENTERS OF AMERICA, INC.**, a Tennessee corporation (hereinafter referred to as "Lessee"), and is made with reference to the following facts:

A. Lessor is or will be the owner of certain improved real property located in Hamilton County, Tennessee which is described with more particularity on Exhibit "A" attached hereto and incorporated by reference herein with said property being improved with a skilled nursing facility to be known as Life Care Center of East Ridge (the "Premises").

B. Lessee desires to lease the Premises, including all improvements located thereon and all furniture, furnishings, fixtures and equipment utilized therein as further identified on Exhibit "B" attached hereto and incorporated by reference herein in the operation of a skilled nursing facility (the "Equipment").

C. Lessor is willing to lease said Premises and Equipment to Lessee for the purposes and on the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the mutual covenants herein contained, **IT IS AGREED AS FOLLOWS:**

1. LEASED PREMISES.

Lessor does hereby lease to Lessee and Lessee does hereby rent and take from Lessor the Premises and the Equipment upon the terms and conditions as hereinafter set forth.

2. PROPERTY AND TITLE ACCEPTANCE.

Lessor warrants that it holds good and marketable title to the Premises. Lessee represents that the Premises and sidewalks and structures adjoining the same, any subsurface conditions thereof, and the present uses and nonuses thereof have been examined by Lessee. Lessee accepts the same in the condition in which they now are, without representation or warranty, express or implied, in fact or by law, by Lessor.

3. NO ABATEMENT FOR CONDITION OF IMPROVEMENTS.

The Lessee accepts the building, improvements, and Equipment on the Premises in their present state and without any representation or warranty by Lessor as to the condition of such property or as to the use which may be made thereof. Lessor shall not be responsible for any latent

defect or change of condition in such building, improvements, and Equipment, and the rent hereunder shall in no case be withheld or diminished on account of any defect in such property, any change in the condition thereof, any damage occurring thereto, or the existence with respect thereto of any violations of the laws or regulations of any governmental authority.

4. TERM.

A. The term of this Lease shall be for a period of ten (10) years, commencing on the date Lessor has received a Certificate of Occupancy.

B. Provided it is not in material default hereunder, Lessee shall have the option to extend the Lease two times. Each option period will be for a term of five (5) years. In the event the Lessee shall exercise both options, the total extended Lease term shall then be for twenty (20) years. Such option will be deemed to have been automatically exercised unless the Lessee notifies the Lessor in writing to the contrary at least sixty (60) days before the end of the applicable Lease period.

5. RENT.

A. During the initial ten (10) year term of this Lease, Lessee shall pay Lessor rent in equal monthly installments in the amount of Eighty-four Thousand, Three Hundred Thirty-Three and 33/100 Dollars (\$84,333.33). The rent shall be payable on the first day of each month during the term of this Lease commencing on the completion of the construction of the Premises and once the Lessor has received a Certificate of Occupancy. If the Certificate of Occupancy is received on a day other than the first day of the month, the rent shall be payable on the first day of the month immediately following the receipt of the Certificate of Occupancy; provided, that rent for the partial month shall be prorated and payable with the first full installment of the monthly rental. All rent payable under this Lease shall be payable in advance, without abatement, demand, or offset. All rent shall be paid to Lessor at Lessor's address specified herein or at such other place as Lessor may designate from time to time by written notice to Lessee given as provided below.

B. If the lease term is extended beyond the initial ten (10) year term, the annual rental shall be increased for each year of an option term by an amount equal to two and one-half percent (2.5%) of the rental hereunder during the immediately preceding twelve (12) month period.

C. It is the purpose and intent of Lessor and Lessee that the rental payable by Lessee to Lessor pursuant to this Lease shall be absolutely net to Lessor without abatement, deduction or setoff, and that all costs, expenses, obligations, and liabilities of every kind and nature whatsoever relating to the Premises or any part thereof that may arise or become due during the Lease term (excepting those costs, expenses, obligations and liabilities arising from the willful misconduct or negligence of Lessor) shall be paid by Lessee, and that Lessor shall be indemnified and saved harmless by Lessee from and against such costs, expenses, obligations and liabilities. This Lease is and shall be a "Pure Net" or "Triple-Net" Lease, as such terms are commonly used in the real estate industry, it being intended that Lessee shall pay all costs, expenses, taxes (real and personal) insurance, maintenance and charges arising out of the use, occupancy and operation of the Premises.

D. No abatement, diminution, or reduction of rent, charges, or other compensation shall be claimed by or allowed to Lessee, or any persons claiming under it, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise, arising from the making of alterations, changes, additions, improvements or repairs to any buildings now on or which may hereafter be erected on the Premises by Lessee (Lessee having no right to engage in such activities during the term of the Lease if not otherwise expressly provided herein) by virtue or because of any present or future governmental laws, ordinances, requirements, orders, directions, rules, or regulations or by virtue or arising from, and during, the restoration of the Premises after the destruction or damage thereof by fire or other cause.

E. If Lessor has not received any installment of rent by the tenth (10th) day of the month in which it is due, such installment shall be delinquent and Lessee will incur a late charge equal to five percent (5%) of the delinquent amount. Such delinquent installment shall also bear interest at the rate of ten percent (10%) per annum from and after the expiration of any cure period granted hereunder to Lessee.

6. INTENTIONALLY OMITTED.

7. WARRANTY OF AUTHORITY.

Lessor and Lessee each represent and warrant to the other that they have the right to enter into this Lease and grant each other all the rights given and granted by them hereunder. Lessor further represents and warrants to the Lessee that it will defend the Lessee's interest in the Premises under this Lease and the Lessee's quiet enjoyment and possession of the Premises against the claims and demands of all persons.

8. INDEMNITY.

Lessee covenants and agrees:

A. To indemnify and hold Lessor harmless against all expense and liability for damage to property or injury to or death of any person or persons caused by or in connection with or arising out of its activities, use or occupancy of the Premises or any act or omission of Lessee, its agents, servants or employees or any sublessee upon the Premises, except if such expense and liability to property or injury to or death of any person or persons arises from the willful misconduct or negligence of Lessor.

B. That should Lessor be made a party to any litigation of any nature whatever arising out of or connected with Lessee's occupation of the Premises or its activities thereon or from any of the causes mentioned in this Paragraph 8, other than by reason of Lessor's willful misconduct or negligence, Lessee covenants and agrees to defend said litigation on behalf of Lessor upon the tender of the defense of such litigation thereto and to pay all costs, including attorney's fees, in connection therewith and to satisfy in full the amount of any final judgment rendered against Lessor in any such litigation.

9. TAXES AND ASSESSMENTS.

A. Except as hereinafter provided in this paragraph, commencing upon the execution of this Agreement, Lessee shall pay or cause to be paid before delinquency all real and personal property taxes, assessments, license fees and public charges levied, assessed or imposed (referred to collectively hereinafter as "Assessments"), against the Premises including, without limitation, fixtures, or personal property (including furniture and appliances) installed or located on or in any portion of the leased premises during the term hereof or any tax imposed in substitution, partially or totally, of any tax previously included within the definition of real property tax, or any additional tax the nature of which was previously included within the definition of real property tax. Lessee shall make all such payments directly to the taxing authorities on or before the last day upon which payment thereof may be made without interest or penalty. In addition, lessee shall promptly pay to Lessor the sum of any such taxes prepaid by lessor prorated as of the date of execution of this Agreement. The foregoing notwithstanding, if any of the Assessments are permitted to be paid in installments (whether or not interest accrues on the unpaid balance), Lessee may, at Lessee's election, utilize the permitted installment method, but shall pay each installment with any interest on or before the last day upon which payment of such installment may be made without additional interest or penalty. Notwithstanding the foregoing, Lessee shall not be obligated to pay the amount of any increase in Assessments resulting from sale of the Premises to a third party.

B. On or before ten (10) days after the date when such payment was due under the foregoing provisions of this paragraph, Lessee shall furnish Lessor with receipts evidencing such payment. If Lessee fails to pay any Assessment required to be paid by Lessee when due under the provisions of this paragraph, Lessor may pay any such Assessment and shall thereupon become entitled to payment from Lessee on demand of any amount so paid, together with interest thereon at the rate of ten percent (10%) per annum and the amount thus due shall constitute additional rent under this Lease.

C. Lessee shall have the privilege, before delinquency occurs, to contest the legality or amount of any Assessment for which Lessee is responsible under this Lease, and may institute such proceedings as Lessee considers necessary in connection therewith. If Lessee contests any such Assessment, Lessee may pay the same under protest or, if Lessee so elects, withhold or defer payment thereof, provided that Lessee shall either: (i) deposit with Lessor a sum which shall be at least ten percent (10%) greater than the amount of the Assessment being contested and also, from time to time, on demand of Lessor, such additional sums as may be reasonably required to cover interest or penalties accrued or to accrue thereon not covered by the amount theretofore deposited with Lessor, or (ii) provide Lessor with a bond in an amount equal to one hundred ten percent (110%) of the Assessment being contested, plus interest and penalties accruing thereon from time to time, or (iii) provide other assurance reasonably acceptable to Lessor.

D. Lessor may, on one hundred twenty (120) days advance written notice to Lessee, pay such contested Assessment out of any sums so deposited in case of undue delay in the prosecution of such proceeding, or if the protection of the property or of Lessor's interest herein shall, in the reasonable judgment of the Lessor, require such payment. When any such contested Assessment shall have been paid, any sums so deposited to cover it and not applied for such payment by the

Lessor shall forthwith be repaid to Lessee. Any such contest, whether before or after payment, may be made in the name of the Lessor and Lessor hereby appoints Lessee as Lessor's attorney-in-fact for the purpose of making payments to any taxing authorities and for the purpose of contesting any such Assessments.

E. Lessor shall be notified thereof at least fifteen (15) days prior to the commencement of any such proceedings, and Lessor shall cooperate reasonably in such contest. Any such contest shall be at the sole cost and expense of Lessee, and Lessee shall pay any reasonable cost or expense incurred by Lessor as a result of any such contest. If Lessee requires any of its sublessees to pay directly or indirectly, under the applicable sublease, all or any of such assessments on the premises leased to them, or which they have the right to use, then Lessee shall have the right to grant to any such sublessees the right to contest the same, but only on and subject to the provisions and conditions contained in this subparagraph.

#### 10. LIENS.

A. Lessee agrees to pay for or cause payment to be made for all labor done or materials furnished for any work of construction, repair, maintenance or alterations done by or for the Lessee in, upon or about the Premises and to keep and hold the Premises, and all improvements thereon, free, clear and harmless of and from: (i) all liens arising by reason of any construction and work and (ii) all claims of any nature or type arising by reason of the act or omission of Lessee, its agents, or employees and at all times Lessee will protect and save Lessor harmless against all materialmen's or mechanic's claims and liens and against all costs and expenses, including reasonable attorney's fees, which might accrue or be incurred by reason of or on account of any such claim, lien or work done, for Lessee only.

B. Should Lessee fail to pay or otherwise cause such lien or claim to be discharged as a claim or lien against the Premises and/or any improvements located thereon within forty-five (45) days after written notice from Lessor or Lessee of the existence thereof (unless within such period the Lessee has given written notice to the Lessor of its intention to contest the same or has commenced a contest thereof), the Lessor shall have the right, but not the duty, to pay, adjust or compromise the same or any portion thereof, and in so doing, shall be the sole judge of the legality of such claim or lien and shall have the sole and absolute discretion in determining the advisability of such payment, compromise or adjustment. If Lessee gives said written notice of contest or commences any such contest within said forty-five (45) day period, Lessor shall not have the right to pay, adjust or otherwise compromise any such lien or claim pursuant to the foregoing provisions of this subparagraph. Any such lien or claim may be discharged by Lessee furnishing a bond in a form satisfactory to Lessor.

C. If Lessee contest any such claim or lien and litigation of such contest ensues, Lessee, within fifteen (15) days after any final judgment is recovered against Lessee and/or Lessor in such action, shall pay said judgment and fully discharge the Premises and/or improvements thereon from said judgment. If an appeal is taken by Lessee to a higher court from any judgment against Lessee and/or against Lessor, Lessee shall furnish an appeal bond or otherwise cause a stay of execution of a judgment of a lower court within said fifteen (15) day period as required by this subparagraph, or any

later time permitted by court order, Lessor, at any time thereafter shall have the right but not the duty to pay or compromise the judgment or otherwise cause the same to be satisfied and discharged upon such terms and conditions as Lessor deems fit. Further, Lessor shall have the right to, but need not, redeem the Premises and/or any improvements thereon or any part thereof, from any sale under foreclosure of any mechanic's or materialmen's liens or other claims or liens of a like nature, without any notice whatsoever to Lessee.

D. Lessee covenants to repay to Lessor all money that Lessor pays out in discharge of such claim, lien, or judgment, or to redeem the Premises from any sale thereunder, and for all costs and expenses, including Lessor's reasonable attorney's fees, accruing or incurred by reason of or on account of any failure by Lessee to perform its obligations under this paragraph, together with interest at the rate of twelve percent (12%) per annum from the time of payment by Lessor until repayment of Lessee. Repayment to Lessor shall be made within ten (10) days from service by Lessor upon Lessee of written notice of such payment by Lessor.

E. Lessor or Lessor's agents shall have at all reasonable time the right to go upon the Premises for the purpose of posting and keeping posted thereon such notices of non-responsibility as Lessor deems necessary for protection of the Premises from materialmen's or mechanic's liens or other claims or liens of a similar nature.

11. INTENTIONALLY OMITTED.

12. EQUIPMENT.

A. Portions of the Equipment are or may be leased from third parties or are the subject of installment purchase obligations. Lessee agrees to assume and promptly discharge in accordance with their respective terms all such lease and purchase obligations. Notwithstanding such assumptions and payments by Lessee, title to such items of Equipment shall remain or be taken in the name of Lessor.

B. Lessee may use any Equipment subject to the terms and provisions of this Lease. The Equipment will be kept by Lessee in its possession and control and will be used by Lessee, and by all persons operating same, with due care in conformity with all applicable laws, regulations and other requirements of any insurer or governmental agency. Equipment will at all times be located at the Premises and will be removed therefrom only with the prior written permission of Lessor, except that the automobiles and the computer included in the Equipment may be located wherever Lessee chooses. Lessee shall use every reasonable precaution to prevent losses or damage to the Equipment from fire and other hazards. Lessee shall not create any liens, charges or encumbrances on said Equipment. Lessee shall not permit the Equipment to come into the possession of any third person, except that Lessee may permit its parent, subsidiaries or affiliates to use the Equipment, and may share the use of the Equipment so long as possession and control continue in Lessee. However, no sharing shall in any event relieve Lessee of any of its obligations and liabilities hereunder.

C. Lessee shall, at its sole cost and expense, keep and maintain the Equipment in working order comparable to that at the time of execution of this Lease, repair and appearance, and

protected from the elements, in order that it shall continue to fulfill its intended function or use. Lessee shall affix and maintain in a prominent position on the Equipment plates, tags or other identifying labels showing ownership of Equipment by Lessor. Lessee will not, without the prior written consent of Lessor, make or perform any alteration to the Equipment (other than engineering changes which may be made by the manufacturer of the Equipment in the course of ordinary maintenance of the Equipment); will not affix or install any accessory, equipment or device on any Equipment leased hereunder if such addition will impair the originally intended function or use of such Equipment. All repairs, replacements, parts, supplies, accessories, equipment and devices furnished, attached or affixed to any Equipment (except such as may be removed without in any way affecting or impairing the originally intended function or use of such Equipment) shall thereupon become the property of Lessor and be deemed to be Equipment hereunder. Lessee shall not be obligated to replace any of the automobiles which wear out or the computer if it wears out or becomes obsolescent.

D. Any alternations or modifications with respect to the Equipment that may at any time during the term of this Lease be required to comply with any applicable law or any governmental rule or regulation shall be at the expense of Lessee. Lessee shall be entitled to benefits of and Lessor hereby assigns to Lessee all rights, warranties, and guaranties acquired by Lessor for supplies and manufacture.

#### 13. BUSINESS OPERATIONS.

A. Lessee shall, throughout the term of this Lease and at its sole expense, diligently pursue the operation of the Premises as a long term care and/or senior housing. In the event that Lessee defaults under this Lease and Lessor takes possession of the Premises pursuant to Paragraph 22 hereof, Lessor concurrently with such taking of possession may assume full and complete control of management of operations of the Premises. If Lessor makes any expenditures or incurs any obligations in order to correct any deficiencies set forth in any health care agency survey of the Premises or any other governmental citation with respect thereto, such costs shall be deemed to be additional rent hereunder and shall be paid by Lessee to Lessor within five (5) days of rendition of any bill or statement to Lessor therefor.

B. Lessee shall provide Lessor with unaudited financial operating statements on an annual basis.

#### 14. DAMAGE OR DESTRUCTION.

A. Should the improvements included in and situated upon the Premises (the "Improvements") be partially or totally damaged or destroyed during the term of this Lease, Lessee shall repair, restore, replace and/or rebuild the same to substantially the same condition as existed immediately prior to such damage or destruction (sometimes referred to hereinafter as the "Reconstruction Work") in accordance with this paragraph.

B. If the Improvements are damaged or destroyed by fire or other casualty insured under the fire and extended coverage insurance required to be furnished by the Lessee hereunder, Lessee



shall be required to repair, restore, replace and/or rebuild the same, unless Lessor shall waive such requirement in writing.

C. If Lessor waives Lessee's obligation to perform the Reconstruction Work under the foregoing provisions of this subparagraph and gives the said written notice to Lessor, this Lease shall thereupon terminate.

D. If the Improvements are damaged or destroyed by a casualty which is not insured under the fire and extended coverage risk insurance required to be furnished by the Lessee under Paragraph 15 of this Lease, Lessee shall be required to repair, restore, replace and/or rebuild the same, unless the reasonably estimated cost of the Reconstruction Work exceeds two hundred and fifty thousand dollars (\$250,000.00); and within sixty (60) days after the date such damage or destruction occurs, Lessee gives written notice to Lessor that the cost of the Reconstruction Work is in excess of that specified above. If the Lessee fails to exercise such election within the said sixty (60) day period, Lessee shall then be obligated to perform the Reconstruction Work.

E. If Lessee is not obligated to perform the Reconstruction Work under the foregoing provisions of this subparagraph and give the said written notice to the Lessor, this Lease shall thereupon terminate as of the expiration of said sixty (60) days.

F. If the Improvements are damaged or destroyed and the Lessee is obligated to perform the Reconstruction Work in accordance with the foregoing provisions of this paragraph (including by reason of the Lessee's failure to make the elections provided hereinafter), this Lease shall continue in full force and effect, except there shall be proportionate reduction in the rental payable by the Lessee hereunder for the period commencing on the date the damage or destruction occurs and ending with the date the Reconstruction Work is substantially completed. Such reduction shall be made on the basis of the extent to which such damage or destruction and the performance of the Reconstruction Work interferes with the use of the Improvements for the purpose stated in this Lease.

G. If, under the foregoing provisions of this paragraph, the Lessee is obligated to perform the Reconstruction Work, the Lessee shall commence and complete the Reconstruction Work in accordance with the following:

(1) The laws, rules, regulations and orders of governmental authorities having jurisdiction over the Reconstruction Work.

(2) Plans and specifications prepared by a licensed architect or engineer selected by Lessee and reasonably approved by Lessor.

(3) Lessee shall commence the Reconstruction Work within ninety (90) days after the date of the casualty and complete the same thereafter with all reasonable dispatch.

(4) All Reconstruction Work shall be subject to Lessor's prior approval of the plans and specifications therefore, the time table and the provision by Lessee of a

Construction Bond for the full amount of any construction contract or contracts for the Reconstruction Work.

H. If this Lease is terminated pursuant to any of the foregoing provisions of this paragraph, the Lessee shall, at its cost and expense, remove the debris and damaged Improvements and leave the Premises in a uniform clean and even condition.

I. In the event any dispute between Lessor and Lessee with respect to any of the matters covered in this paragraph, such dispute shall be settled and determined in accordance with the arbitration provisions contained in paragraph 31 of this Lease.

15. INSURANCE.

A. Lessee shall, at its sole cost and expense, keep the Improvements insured at all times during the term of this Lease under a policy or policies of fire insurance with standard extended coverage endorsement in common use for commercial structures (including vandalism and malicious mischief). The amount of the insurance shall be not less than one hundred percent (100%) of the replacement cost of the Improvements. Both the Lessee and the Lessor shall be named as insureds under said policies as their respective interests may appear. In addition, at the Lessee's option, any one or more of the following named parties shall also be named as insureds under the said insurance policy or policies as their respective interests may appear: the management company, if any, and the mortgagee under any mortgage or the beneficiary under any deed of trust or encumbrance on all or any part of the Premises.

(1) In the event of any dispute between Lessor and Lessee as to whether the amount of said fire and extended risk insurance complies with the foregoing provisions of this subparagraph, such dispute shall be settled and determined under the arbitration provisions contained in paragraph 30 of this Lease.

(2) The said policy or policies of fire and extended risk insurance shall include in each instance an endorsement providing that such insurance shall not be canceled except after thirty (30) days prior written notice to Lessor. Lessee shall provide the Lessor with true copies or certificates of each such fire and extended risk coverage insurance policy.

(3) Lessor shall cooperate fully with Lessee to obtain the largest reasonable recovery under the said fire and extended risk coverage insurance. The proceeds of any such policy or policies shall be paid and each such policy or policies shall be paid and each such policy shall provide for the payment of the proceeds thereof to Lessee and Lessor and be held by them in trust for the uses and purposes described in this Lease.

(4) Unless this Lease is terminated pursuant to the provisions of Paragraph 14 above, such payment shall be made on architect certificates issued by Lessee's architect.

(5) Any insurance proceeds remaining after complying with the provisions of Paragraph 14 above shall be the Lessee's sole property.

(6) In the event Lessee is not obligated to perform any Reconstruction Work pursuant to Paragraph 14 above, the insurance proceeds shall be divided between Lessor and Lessee as their interest existed immediately prior to the damage or destruction.

B. From and after the date hereof and throughout the remainder of the term of this Lease, Lessee shall, at its sole cost and expense, keep in force for the mutual benefit of the Lessor and Lessee, comprehensive broad form general public liability insurance against all claims and liability for personal injury, death, or property damage arising from the use, occupancy, disuse, or condition of the Premises, whether or not such are wholly or in part caused by the negligence of Lessee or Lessor, their individual or collective agents, servants or employees. Such insurance shall provide protection of at least \$1,000,000.00 for bodily injury or death to any one person, at least \$1,000,000.00 for any one accident or occurrence, and at least \$200,000.00 for property damage. A true copy or certificate of such insurance shall be delivered to the Lessor within ten (10) days after the date hereof.

C. Lessor may (but not more often than once every thirty-six (36) consecutive calendar months), require Lessee to increase the amount of protection required to be afforded under the foregoing provisions of this subparagraph; provided, however, such increase shall not exceed twenty percent (20%) of the required amount of such protection required to be provided by the Lessee during the preceding thirty-six (36) month period.

#### 16. USE OF PREMISES.

A. Lessee agrees that at all times during the term of this Lease, the Premises and every part thereof shall be used solely for the operation of a retirement or convalescent facility and for conducting community service programs from time to time; provided, however, that none of such community service programs shall include treatment for non-accredited drug abuse or services to the indigent. The Lessee shall not willingly use or suffer or permit any person to use in any manner whatever the Premises and/or the Improvements at any time, or any part thereof for any purpose or use in violation of the laws of the United States, the state in which the Premises are located, or any applicable city ordinances, or the valid regulations or any governmental authority having jurisdiction over such use.

B. Lessee, at Lessee's own expense shall comply in all respects with all present and future laws, statutes, ordinances and valid regulations which validly affect the use or occupancy of the Premises and shall save the Lessor harmless from all penalties, damages, or charges imposed for any violation of any law, ordinance, or regulation, whether occasioned by the neglect, omission, or willful act, or Lessee or of any person holding or occupying the leased premises, or any part of the Premises under or by license of the Lessee.

C. Lessee shall have the right to contest by appropriate judicial or administrative proceedings, without cost or expense to the Lessor, the validity or application of any such law, statute, ordinance, or regulation, as well as any order, rule or requirement of any governmental authority having jurisdiction over the use and/or occupation of the Premises, or the Improvements,

and Lessee shall not be in default for failing to comply therewith until a reasonable time following final determinations of the Lessee's contest.

17. MAINTENANCE AND REPAIR.

A. Throughout the term of this Lease, Lessee at its sole cost and expense shall keep and maintain the Improvements and the balance of the Premises and every part thereof, including any shrubs, lawns, planted areas and sidewalks adjacent to the Premises, in a condition which is sanitary and comparable to the condition of the Premises on the effective date of this Lease and in repair in conformity with all applicable laws, rules, ordinances, orders and regulations of federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction thereof so that the Premises shall at all times present a clean, neat and attractive appearance.

B. Lessee shall, at its sole cost and expense, make such repairs, alterations, additions, changes in and about the Premises and/or the Improvements as may be required by applicable laws, rules, ordinances, orders and regulations of federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction therefor.

C. Lessee shall have the right and option to contest by appropriate judicial or administrative proceedings without cost or expense to the Lessor, the validity or application of any such rule, ordinance, order, regulation, or requirement, and Lessee shall not be in default for failing to comply therewith until a reasonable time following final determination of Lessee's contest.

D. Should Lessee fail or refuse to keep and maintain the Premises in accordance with this paragraph or to cure any citations issued by the state health department in the state where the Premises are located or other governmental agency, Lessor shall have the right, if it reasonably concludes that the licensure or continued operation of the facility on the Premises is threatened, to enter upon the Premises to perform any covenant, condition or duty to be performed by the Lessee under this Lease, and Lessor shall be entitled to repayment from Lessee, of the total costs so incurred by Lessor and the amount thus due shall constitute additional rent hereunder and bear interest at the rate of twelve percent (12%) per annum until paid.

18. ALTERATIONS.

A. Approval Required. Lessee shall not make changes to, modifications of, replacements of, alterations of, and/or additions to the Improvements (referred to hereinafter as "Alterations") in excess of fifty thousand dollars (\$50,000) without the prior written approval of Lessor.

B. Permitted Alterations. The Lessee shall have the right and option, without the approval of the Lessor, to make any alteration which does not materially impair the structural soundness of the Improvements and does not involve a construction cost in excess of Fifty Thousand Dollars (\$50,000.00) and to perform any work, regardless of cost, required by any health care agency. Lessee shall, however, notify Lessor as soon as possible of any State-required work. The cost of constructing such Alterations includes the cost of labor, material and reasonable profit to contractors and subcontractors as well as all costs that constitute a valid claim or claims under the

mechanic's lien laws in effect at the time the work is commenced as well as demolition and removal of then existing improvements or parts of improvements.

C. Preliminary Plans and Specifications. With respect to any Alteration involving a construction cost in excess of Fifty Thousand Dollars (\$50,000.00) Lessee shall submit to Lessor a copy of the preliminary plans and specifications for construction of the Alteration. Lessor shall indicate his approval or disapproval of such preliminary plans and specifications within fifteen (15) days after its receipt of such plans and specifications. If Lessor fails to notify Lessee in writing within said time period of its approval or disapproval, such plans and specifications shall be deemed approved.

D. Construction of Alterations. Such Alterations shall be constructed in conformity with the laws, rules and regulations of governmental authorities having jurisdiction over the construction of such Alterations and in substantial conformity with the preliminary plans and specifications therefor as submitted to Lessor pursuant to this paragraph.

E. At Lessee's Expense. All Alterations shall be constructed at the sole cost and expense of the Lessee.

F. Disputes. In the event of any dispute between Lessor and Lessee with respect to any of the matters covered in this paragraph, such dispute shall be settled and determined in accordance with the arbitration provisions contained in of this Lease.

#### 19. TRANSFER OF OPERATION - PRORATIONS.

A. Utilities. Lessee shall at all times during the term of this Lease promptly pay all charges for water, heat, gas, electricity, sewers, and any and all other utilities used upon the leased premises. All utilities shall be transferred to the name of the Lessee with final statements for utilities prior to the date of transfer of possession to be billed to or paid by Lessor. All utility deposits shall be repaid to Lessor or purchased by Lessee from Lessor.

B. Charges. Any prepaid room or patient charges paid to Lessor and/or present occupant with respect to residents continuing to occupy a room in the Property shall be paid to Lessee; and the parties shall account for any other similar income and expense items so that Lessor shall incur the expenses and be entitled to revenues for services rendered and supplies sold prior to the date of transfer of possession, and Lessee or its operator shall be entitled to revenues and pay expenses for services rendered and supplies sold subsequent to transfer of possession.

#### 20. ASSIGNMENT AND SUBLETTING.

A. Lessee shall not assign or sublease any portion of the Premises or transfer any interest in the Lease without the prior written consent of the Lessor and the consent to any one assignment, transfer or sublease shall not be deemed to be a consent to any subsequent assignment. Lessor's consent shall not be unreasonably withheld. An assignment for purposes of this paragraph shall be deemed to include but not be limited to a transfer of control in Lessee, or a contribution or transfer of

the Premises or Lessee's interest in this Lease to any general or limited partnership in which Lessee is a general or limited partner. Any assignment without such prior consent shall be null and void and shall, at the option of Lessor, terminate this Agreement.

B. Any assignee of Lessee shall expressly assume and be bound by each of the provisions of this Agreement, none of which shall be deemed to have been waived or exhausted by any one or more assignments, but all of which shall apply to and bind not only the Lessee named herein, but each sublease, assignee and succeeding assignee, their successors in interest, heirs, devisees, executors, administrators, and legal representative in the same manner as the Lessee named herein.

C. The acceptance of rental by Lessor, either from Lessee or from any sublessee, assignee or subsequent assignee or from any person claiming to be an assignee, in violation of the conditions hereof, shall not be a waiver of the rights of the Lessor to insist upon a strict compliance with the foregoing provisions.

D. Except as expressly authorized in writing by Lessor, any assignments or transfer by Lessee shall not relieve the Lessee or any assignee or their respective heirs, devisees, personal representatives and successors in interest from any liability or obligation arising under this Lease, whether before or after the effective date of any such assignment.

## 21. CONDEMNATION.

A. Definitions. The following definitions shall apply in construing the provisions of this paragraph:

(1) Taking shall be defined to mean any taking or damaging, including severance damage, of all or any part of the Premises or the Improvements or constituting a part thereof or any interest in them by the exercise of the power of eminent domain, or by inverse condemnation, or for any public or quasi-public use under any statute.

(2) Total Taking means the taking of the fee title to all of the Premises and all Improvements.

(3) Partial Taking means any taking that is not total taking.

(4) Award means all compensation, damages and/or interest paid or awarded for the taking whether pursuant to judgment, by agreement, or otherwise.

B. Effect of Total Taking. In the event of a total taking, Lessee's interest in this Lease and all obligations of Lessee subsequently accruing hereunder shall cease as of the date of the vesting of title in the condemning authority; however, if actual physical possession of all or part of the Premises is taken by the condemning authority prior to such date of vesting of title, Lessee's obligations to pay rental and other sums under this Lease shall terminate as of such earlier date. In the event of a total taking Lessor shall be entitled to receive the entire amount of any award other

than any separate award to Lessee for relocation expenses and similar items. In no event shall Lessee be entitled to receive any award for any "bonus value" for its interest in the Lease.

C. Effect of Partial Taking.

(1) In the event of a partial taking, this Lease shall remain in full force and effect, covering the remainder of the Premises, except that the rental shall be reduced in the same ratio as the total square footage of usable floor area which will be contained in the Improvements following restoration. Such rental adjustment shall be effective as of the earlier of:

(a) the date of the vesting of title in the condemning authority of the portion of the Premises taken; and

(b) the date actual physical possession of the portion of the Premises is taken by the condemning authority.

If such partial taking renders Lessee's use of the Premises economically unfeasible, Lessee's interest in this Lease and all obligations of Lessee subsequently occurring hereunder shall cease as of the date of the taking.

(2) In the event of a partial taking, Lessor shall be entitled to receive the entire amount of any award other than any separate award to Lessee for relocation expenses and similar items, none of which shall include any bonus value for Lessee's interest hereunder.

22. DEFAULT.

A. In the event of any breach of any covenant or condition of this Lease by Lessee, Lessor shall notify Lessee in writing of such breach, and Lessee shall have ten (10) days in which to cure any such breach as to payments of rent or other sums due hereunder, and thirty (30) days to cure any other breach unless such breach is incapable of being cured within such period, in which event Lessee shall commence its efforts to cure within such thirty (30) day period and shall thereafter pursue them diligently until the breach is cured, and if Lessee shall fail to cure such breach or default within such time limits, then Lessor, shall have such remedies and rights as provided herein and by law, including without limiting the generality of the foregoing, the immediate right of reentry and in such event Lessor may remove all persons and property from the Premises; and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, Lessee.

Should Lessor elect to reenter, as herein provided, or should Lessor take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Lessor may either terminate this Lease or may from time to time, without terminating this Lease, re-let said Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such terms and conditions as Lessor in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises; provided however that should Lessor elect not to terminate this Lease, Lessee shall thereupon have the right to assign its interest in this Lease or sublet the Premises, subject to Lessor's consent which shall not be unreasonably withheld. Upon such re-letting:

(1) Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such re-letting and of such alterations and repair, incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease or the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Premises for such period of such re-letting; or

(2) At the option of Lessor, rents received by Lessor from such re-letting shall be applied as follows: FIRST, to the payment of any indebtedness, other than rent, due hereunder from Lessee to Lessor; SECOND, to the payment of any costs and expenses of such re-letting and of such alterations and repairs; THIRD, to the payment of rent due and unpaid hereunder; and the residue, if any shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder.

B. If Lessee has been credited with any rent to be received by such re-letting under option (1) and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from re-letting under option (2) during any month be less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such reentry or taking possession of the Premises by Lessor shall be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the terminations thereof be decreed by a court of competent jurisdiction. Notwithstanding any re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. Should Lessor at any time elect to terminate this Lease for any breach, in addition to any other remedies he may have, Lessor may recover from Lessee all damages incurred by Lessor by reason of such breach, including (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease, including any damage suffered by Lessor as a result of Lessee's default under any obligations secured by liens or encumbrances affecting the Premises.

## 23. INSOLVENCY.

A. If the Lessee makes an assignment for the benefit of creditors, or commences proceedings under any State or Federal law for the purpose of compromising, arranging or discharging Lessee's debts, including specifically proceedings to obtain any benefits under the Federal Bankruptcy Act, or should any involuntary proceedings be commenced against Lessee under the Federal Bankruptcy Act for the purpose of adjudicating Lessee a bankrupt, without the dismissal or termination thereof within twenty (20) days following such commencement, then this Lease and any interest in and to the Lessee's estate, nor shall it be assignable by any process of law or pass



under the control of any receiver, trustee or assignee of Lessee by virtue of any proceeding under any bankruptcy or insolvency law, and upon the occurrence of any of the foregoing events, Lessor may terminate this Lease and reenter the Premises and take possession thereof and remove all persons therefrom and Lessee shall have no further claim therein or thereunder. Such rights or reentry, possession and removal shall be pursuant to the provisions of Paragraph 22 of this Lease.

B. The rights and remedies provided herein are cumulative to all other rights and remedies accorded to Lessor under this Lease or by law. No delay or omission on the part of Lessor in exercising any right or remedy hereunder or accorded Lessor by law shall operate as a waiver of such right or remedy or of any other right or remedy under this Lease or by law.

24. QUIET POSSESSION.

The Lessor covenants and agrees that, so long as the Lessee shall pay the monthly rental and shall perform all of the covenants and conditions on the Lessee's part to be observed and performed hereunder, the Lessee shall lawfully and quietly hold, possess, occupy and enjoy the Premises during the term of this Lease (and any renewals or extensions thereof) without hindrance or molestation of the Lessor, its successors and assigns or any person claiming under the Lessor, its successors or assigns.

25. NON-WAIVER OF BREACH.

The failure of either party to this Lease to enforce any of its rights arising by reason of any default or breach of a covenant or condition on the part of the other shall not constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. Any custom or practice which may grow up between the parties in the course of administering this Lease shall not be construed to waive or to lessen their respective rights to insist upon performance by the other of any term, covenant or condition of this Lease, or to exercise any rights given on account of any such default or breach.

26. RELATIONSHIP.

It is understood and agreed that Lessor shall in no event be construed or held to be an agent, partner or associate or Lessee in the conduct of Lessee's business, nor shall Lessor be liable for any debts incurred by Lessee in connection with any of the foregoing.

27. SUBORDINATION.

This Lease shall be subject and subordinate to the lien of any mortgages or deeds of trust in any amount or amounts whatsoever now or hereafter placed on or against the Premises by Lessor, without the necessity of the execution and delivery of any further instruments on the part of Lessee to effectuate such subordination. If any mortgagee or trustee shall elect to have this Lease prior to the lien of its mortgage or deed of trust, and shall give written notice thereof to Lessee, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust, or the date of the recording thereof. Lessee covenants and

agrees to promptly execute and deliver upon demand without charge therefor, such further instruments evidencing such subordination of this Lease to the lien of any such mortgages or deeds of trust as may be required by Lessor, and Lessee hereby appoints Lessor as Lessee's attorney-in-fact, irrevocably, to execute and deliver any such agreements, instruments, releases or other documents. Lessor covenants and agrees with Lessee that upon Lessee paying rent and other monetary sums due under this Lease and performing its covenants and conditions under this Lease, Lessee shall and may peaceably and quietly have, hold and enjoy the Premises for the term; subject, however, to the terms of this Lease and of any of the mortgages or deeds of trust described hereinabove.

Notwithstanding the foregoing, and provided Lessee is not in default under the terms of this Lease Agreement, no subordination hereunder shall entitle any successor in interest of Lessor, or Mortgage, Deed of Trust or other lienholder to terminate, restrict or otherwise adversely affect the rights of the Lessee hereunder.

28. ESTOPPEL CERTIFICATES.

A. At any time and from time to time, within ten (10) days after written request by either party to this Lease, the other party shall execute, acknowledge and deliver to the requesting party, or to such other recipient as the written request shall direct, a statement certifying that this Lease is unmodified and in full force and effect, or, if there have been modifications, that the same is in full force and effect as modified and setting forth the modifications and the dates thereof. The said statement shall further set forth the dates to which rental and any other charges payable by the Lessee under this Lease have been paid and shall state the amounts thereof. The said statement shall also indicate whether or not the requesting party is in default under any of the terms covenants or provisions of this Lease and, if so, a description of the nature of such default. The said written statement shall specifically state that it may be relied upon by any auditor or creditor of the requesting party and by any prospective assignee, purchaser or encumbrancer of all or any part of the interest of the requesting party in and to this Lease and/or the Premises.

B. The failure of the party to whom any such request is directed to so execute, acknowledge, and deliver such statement pursuant to such request within said ten (10) day period shall constitute acknowledgment by such party to the requesting party and to all other persons entitled to rely on any such statement under the foregoing provisions of this paragraph that this Lease is unmodified, is in full force and effect, and the rent and other charges have been duly and fully paid to and including the respective due dates immediately preceding the date of the request therefor, that the requesting party is not in default hereunder, and shall constitute a waiver, with respect to all such persons, of any defaults that may exist before that date the said written request is made. The preceding sentence shall not relive the party to whom such request is directed from its obligations to provide the said written statement pursuant to such request and shall not limit or restrict the rights and remedies of the requesting party against the other party by reason of such failure.

29. CONSTRUCTION OF LANGUAGE.

A. Whenever in this Lease any words of obligation or duty regarding any party are used, they shall have the same force and effect as though in express form of covenants. The language in all

respects of this Lease shall be construed simply according to its meaning, and not strictly for or against the Lessor or Lessee.

B. Each and all of the various rights, options, elections, powers and the remedies of Lessor and Lessee contained in this Lease shall be construed as cumulative and no one of them as exclusive of any of the others, or of any other right or priority allowed by law.

30. APPROVALS.

Any consents and any approvals required of either party under this Lease shall not be unreasonably withheld or delayed, shall be in writing, and, unless a contrary time period is expressed elsewhere herein, written notice of disapproval or non-consent must be given within fifteen (15) days of the requested approval or consent. Any matter not so disapproved or not consented to within the time period allowed shall be deemed approved or consented to (as the case may be).

31. ARBITRATION.

A. In the event of any dispute or controversy between the Lessor and the Lessee with respect to any one or more of the matters described herein, such dispute or controversy shall be settled and determined by arbitration in accordance with this paragraph. Such matters shall include any matter specifically provided in this Lease to be subject to binding arbitration under the arbitration provision contained in this Lease.

B. Except as otherwise provided in this paragraph, arbitration shall be in conformity with and subject to the then existing applicable rules and procedures of the American Arbitration Association. If the American Arbitration Association is not in existence or for any reason fails or refuses to act, the arbitration shall be in conformity with and subject to the provisions of the Tennessee Rules of Civil Procedure relating to arbitration as they stand amended at the time of notice.

C. The arbitrator shall be bound by the provisions of this Lease. Wherever this Lease calls for a written statement or notice specifying the reasons and/or grounds for a particular disapproval or act, the party giving such notice or statement shall be bound by and limited to the grounds or reasons so specified in any ensuing arbitration proceeding with respect to such disapproval or act pursuant to the provisions of this paragraph.

32. ATTORNEY'S FEES.

In the event either party to this Lease brings an action or proceeding for the breach, enforcement, or interpretation of this Lease, the party prevailing in such action or proceeding whether or not such an action or proceeding results in a judgment shall be entitled to recover reasonable attorney's fees and costs against the other party in addition to whatever other relief the prevailing party may be entitled. Arbitration under Paragraph 30 above shall constitute an action for the purpose of this provision.

33. NOTICES.

A. All notices, requests, demands, consents, approvals, statements, and/or other writings (referred to hereinafter in this paragraph as "Notices") required or permitted to be given under this Lease shall be given in writing by registered or certified United States mail, postage prepaid, return receipt requested, and addressed to the party to whom the same is to be given or made at its address for Notices as determined under this paragraph. The Notice shall be deemed given and served forty-eight (48) hours after the deposit of the same in the United States mail except that a notice of change of address for service of Notices shall not be deemed given or served until received by the other party.

B. Either party may, at any time and from time to time, change his address for Notices by written Notice to the other party. Until any such change, the address for Notices to the parties shall be as follows:

- (1) If intended for Lessee, the Notice shall be addressed to:

**East Ridge Medical Investors, LLC**  
c/o Life Care Centers of America, Inc.  
3570 Keith Street NW  
Cleveland, TN 37311  
Attention: Forrest L. Preston

With a copy to:

General Counsel  
c/o Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312

- (2) If intended for Lessor, the Notice shall be addressed to:

Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312  
Attention: Forrest L. Preston

With a copy to:

General Counsel  
c/o Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312

C. Wherever this Lease permits any Notice to be given to either Lessor or Lessee by a third party, the same may be given and served in accordance with the provisions of this paragraph.

34. OTHER DOCUMENTS AND ACTS.

Each party shall, at the request of the other, execute, acknowledge and deliver whatever additional instruments and do such other acts, including but not limited to applications for building permits, as may be required or convenient in order to accomplish and carry forward the intent and purposes of this Lease.

35. TIME IS OF THE ESSENCE.

Time is hereby expressly made of the essence of each and every one and all of the promises, covenants, agreements and conditions herein contained on the part of the Lessee and Lessor to be kept, observed and performed.

36. RIGHT OF ENTRY.

Lessor hereby reserves the right for itself or its agents and representatives duly authorized and appointed in writing by Lessor at all reasonable times during normal business hours of the Lessee during the term hereof to enter upon the Premises for the purpose of inspecting the same and showing the same to any prospective purchasers or encumbrancers.

37. SHORT FORM OF LEASE; QUITCLAIM BY LESSEE.

A. Upon the request of either party, the Lessor and the Lessee shall execute, acknowledge and exchange duplicate originals of a recordable instrument sufficient in form and substance as will give constructive notice of the existence of this Lease and the option contained hereunder to subsequent purchasers and encumbrancers.

B. Upon the expiration of sooner termination of this Lease, Lessee shall, upon the request of Lessor so to do, execute and acknowledge a quitclaim deed or any other document necessary, in the option of the Lessor, to relieve the title to the Premises of the cloud created by the recordation of such instrument and/or duplicate original of this Lease.

38. DEFINITIONS AND GENDER.

A. Whenever the word "Lessor" is used herein, it shall include the successors and assigns of Lessor and whenever the word "Lessee" is used herein, it shall include the successors and assigns of Lessee subject to the limitations of the Lessee's right to sublet or assign as herein contained.

B. As used in this Lease, the term "and/or" shall be defined to mean all or any one or more of the persons, things, matters or items with respect to which the term is used.

C. As used in this Lease, the masculine, feminine, or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the context so indicates.

D. As used in this Lease, the terms "days" shall be deemed to be calendar day, provided however, that if the last day to perform or observe an act or a requirement set forth in this Lease falls on a Saturday, Sunday, or legal holiday, the time for performance or observance of said act or requirement shall be deemed to extend to the next succeeding day which is not a Saturday, Sunday, or legal holiday.

39. SUCCESSORS.

Subject to the provisions of this Lease on assignment and subletting and except wherever a contrary intention in clearly expressed herein, each and all of the covenants, conditions and provisions of this Lease shall be binding on and shall inure to the benefit of the assigns, successors, heirs, executors, administrators, and personal representatives of the respective parties hereto.

40. MISCELLANEOUS.

A. Exhibits. All exhibits to which reference is made in this Lease are incorporated into this Lease by the respective references to them, whether or not they are actually attached hereto, provided they have been signed or initialed by the parties. All reference herein to "this Lease" includes all matters incorporated by reference to such Exhibits.

B. Captions and Table of Contents. The captions and titles of the various paragraphs and subparagraphs of this Lease are for convenience and ease of reference only and do not define, limit, augment, describe the scope, content, or intent of this Lease or any part or parts of this Lease.

C. Counterparts. This Lease and each amendment of this Lease may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

41. SOLE AGREEMENT.

This document constitutes the entire agreement between the parties hereto and there were and are no representations, warranties or commitments, oral or written, otherwise than as expressly set forth herein. This Lease may not be changed by deletion or addition or amended except by an instrument in writing signed by both parties hereto.

42. NON-RECOURSE.

Notwithstanding anything herein to the contrary, Lessee's obligations hereunder shall be non-recourse to Lessee and shall create no personal liability from Lessee to Lessor. Lessor agrees to look solely to the Lessee's interest in the Premises for satisfaction of Lessee's obligations hereunder.

**(signature page follows)**

**IN WITNESS WHEREOF**, Lessor and Lessee have executed this Lease at Bradley County, Tennessee on the date set forth in the introduction of this Lease.

**LESSOR:**

**Witness/Attest:**

**EAST RIDGE MEDICAL INVESTORS, LLC**, a  
Tennessee limited liability company

By: Life Care Centers of America, Inc.  
Corporate Manager

---

Name: Joan E. Thurmond  
Title: Assistant Secretary

**LESSEE:**

**Witness/Attest:**

**LIFE CARE CENTERS OF AMERICA, INC.**

---

Name: Cindy S. Cross  
Title: Assistant Secretary

## **EXHIBIT "A"**

### **Legal Description of the Premises**

Those parcels of property located as follows:

6614 Ringgold Road, East Ridge, TN  
6600 Ringgold Road, East Ridge, TN  
6616 Ringgold Road, East Ridge, TN  
1500 Fincher Avenue, East Ridge, TN  
1515 Fincher Avenue, East Ridge, TN  
1517 Fincher Avenue, East Ridge, TN  
1519 Fincher Avenue, East Ridge, TN  
1521 Fincher Avenue, East Ridge, TN  
1523 Fincher Avenue, East Ridge, TN  
1525 Fincher Avenue, East Ridge, TN

ALONG WITH two (2) parcels commonly referred to as TDOT Parcel I and TDOT Parcel II.



## **EXHIBIT "B"**

### **EQUIPMENT**

- (a) All fixtures, furniture, furnishings, machinery, equipment, appliances and all personal property located on or in the Land and Improvements, including, without limitation, all storm windows and doors, awnings, shutters, wall-to-wall carpeting, venetian blinds, window shades, furnaces, heaters, heating equipment, oil and gas burners and fixtures appurtenant thereto, hot water heaters, heat pump, plumbing and bathroom, fixtures, stoves, ovens, ranges, refrigerators, dishwashers, washing machines, dryers, disposals, trash compactors, electric and other lighting fixtures, outside television antennas, air conditioning equipment, ventilators, wiring, security, electrical and communication systems, fences, trees, shrubs and plants and all other items of tangible personal property, such as equipment, implements, tools and supplies on the premises used for maintenance, repair and/or cleaning;
- (b) All service, maintenance and other contracts and contract rights and leases, respecting the ownership, construction, maintenance, operation, provisioning, or equipping of the Land and Improvements, including, without limitation, warranties and guaranties relating thereto;
- (c) All warranties and guarantees from, and all of transferor's rights against, any contractors, subcontractors, suppliers, materialmen, manufacturers and distributors involved in the construction, maintenance or repair of the Land and Improvements;
- (d) All warranties and guaranties respecting any equipment, system, structure or fixture on or in the Land and Improvements, and all of transferor's rights and benefits under all such warranties and guaranties; and
- (e) All plans and specifications, contracts and agreements, engineering and architect documents, working drawings, and reports of any kind, character or description prepare for use in connection with the Land and Improvements.

**ATTACHMENT B.I.1**  
**LIFE CARE TENNESSEE FACILITIES**

## **Tennessee Provider Entity Exhibit**

A Provider Entity as defined by the Bureau of TennCare is a business entity, i.e. a partnership or corporation, that provides TennCare covered services to TennCare enrollees. Please see the Tennessee entities below that provide TennCare covered services to TennCare enrollees.

**Milford Medical Investors Limited Partnership**  
**d/b/a Life Care Center of Bruceton-Hollow Rock**

105 Rowland Avenue  
Bruceton, TN 38317-2305  
EIN-62-1494376

**Centerville Medical Investors**  
**d/b/a Life Care Center of Centerville**

112 Dickson Road  
Centerville, TN 37033-1494  
EIN- 20-1726853

**Consolidated Resources Health Care Fund I, L.P.**  
**d/b/a Life Care Center of Collegedale**

9210 Apison Pike  
Collegedale, TN 37315-0658  
EIN-62-1624822

**Columbia Operations, LLC**  
**d/b/a Life Care Center of Columbia**

841 West James Campbell Blvd.  
Columbia, TN 38401-4668  
EIN- 20-4263429

**Crossville Medical Investors, LLC**  
**d/b/a Life Care Center of Crossville**

80 Justice Street  
Crossville, TN 38555-4744  
EIN-26-2812590

**Elizabethton Medical Investors Limited Partnership**  
**d/b/a Life Care Center of Elizabethton**

1641 Highway 19E  
Elizabethton, TN 37643-4646  
EIN- 62-1653646

**Wartburg Medical Investors Limited Partnership**  
**d/b/a Life Care Center of Morgan County**

419 South Kingston Street  
Wartburg, TN 37887-4317  
EIN-58-1392717

**Dayton Medical Investors, LLC**  
**d/b/a Life Care Center of Rhea County**

7824 Rhea County Highway  
Dayton, TN 37321-5921  
EIN- 26-4235616

**Sparta Medical Investors Limited Partnership**  
**d/b/a Life Care Center of Sparta**

508 Mose Drive  
Sparta, TN 38583-1211  
EIN- 62-1567827

**Lynchburg Medical Investors, LLC**  
**d/b/a Life Care Center of Lynchburg**

40 Nursing Home Road  
Lynchburg, TN 37352-7098  
EIN- 20-1726802

**Highland Park Medical Investors, LLC**  
**d/b/a Life Care Center of Hickory Woods**

4200 Murfreesboro Pike  
Antioch, TN 37013  
EIN – 26-3029242

**Nashville Medical Investors, LLC**  
**d/b/a Life Care Center of Old Hickory Village**

1250 Robinson Road  
Old Hickory, TN 37138  
EIN – 26-1316521

**Ooltewah Medical Investors Limited Partnership**  
**d/b/a Life Care Center of Ooltewah**

5911 Snow Hill Road  
Ooltewah, TN 37361  
EIN – 62-1630657

**Tennessee Provider Entity Exhibit Continued**

**Life Care Centers of America, Inc.**  
**EIN-62-0963862**

A Provider Entity as defined by the Bureau of TennCare is a business entity, i.e. a partnership or corporation that provides TennCare Covered services to TennCare enrollees.

Please see the Tennessee entities below that provide TennCare covered services to TennCare enrollees who reside in facilities all being operated under the ownership of Life Care Centers of America, Inc. The above referenced Tax ID number is assigned to each of these facilities.

**The Heritage Center**

1026 McFarland Street  
Morristown, TN 37814-3443

**Life Care Center of Athens**

1234 Frye Street  
Athens, TN 37303-3052

**Life Care Center of Cleveland**

3530 Keith Street, NW  
Cleveland, TN 37312-4309

**Life Care Center of Copper Basin**

166 Copper Basin Industrial Park  
Ducktown, TN 37326-0518

**Life Care Center of East Ridge**

1500 Fincher Avenue  
East Ridge, TN 37412-4204

**Life Care Center of Gray**

791 Old Gray Station Road  
Gray, TN 37615-3717

**Life Care Center of Greeneville**

725 Crum Street  
Greeneville, TN 37743-6118

**Life Care Center of Jefferson City**

336 West Old Andrew Johnson Highway  
Jefferson City, TN 37760-5212

**Life Care Center of Hixson**

708 Dwight Avenue  
Chattanooga, TN 37406-3499

**Life Care Center of Morristown**

501 West Economy Road  
Morristown, TN 37814-3222

**Life Care Center of Red Bank**

1020 Runyan Drive  
Chattanooga, TN 37405-1200

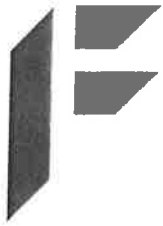
**Life Care Center of Tullahoma**

1715 North Jackson Street  
Tullahoma, TN 37388-2231

**Ridgeview Terrace of Life Care**

165 Coffey Lane  
Rutledge, TN 37861-3201

## **ATTACHMENT B. PROJECT DESCRIPTION II.A CODES LETTER**



Franklin Associates, Architects, Inc.

142 N Market St . PO Box 4048 . Chattanooga . TN 37405

423.266.1207

September 24, 2014

Ms. Linda Cross  
Life Care Centers of America  
3001 Keith Street, NW  
Cleveland, TN 37312

Re: Life Care Centers of America -  
108-Bed Skilled Nursing Facility  
East Ridge, Tennessee  
for  
East Ridge Medical Investors, LLC.

Dear Ms. Cross

We have reviewed the codes required for the proposed 108-bed skilled nursing facility in East Ridge, Tennessee. Since there are two sets of codes required at this location, we will use the most stringent where conflicts occur. The following codes will be adopted by the reviewing authorities:

**Tennessee Department of Health Code Requirements:**

1. 2006 International Building Code
2. 2006 International Plumbing Code
3. 2006 International Mechanical Code
4. 2006 International Fuel Gas Code
5. 2006 NFPA1, excluding NFPA 5000
6. 2006 NFPA 101 Life Safety Code
7. 2005 National Electrical Code
8. 2002 North Carolina Accessibility Code with 2004 Amendments
9. 2010 Americans with Disabilities Act (ADA)
10. 2010 Guidelines for Design and Construction of Health Care Facilities
11. 2007 ASHRAE Handbook of Fundamentals



Ms. Linda Cross  
page 2  
September 24, 2014

007 34714 902126

**The City of East Ridge, TN Code Requirements:**

1. 2012 International Building Code (excluding Chapter 11)
2. 2012 International Plumbing Code
3. 2012 International Mechanical Code
4. 2012 International Fuel Gas Code
5. 2009 International Energy Conservation Code
6. 2012 International Fire Code
7. 2011 National Electric Code
8. 2009 ANSI A117.1 (National Standard) Accessibility Code
9. 2012 NFPA 101 Life Safety Code

To the best of my knowledge and belief, the proposed project will be designed and built to conform to applicable federal standards, manufacturer's specifications, and licensing agencies requirements.

If you have any further questions, please feel free to contact us at your convenience.

Sincerely,

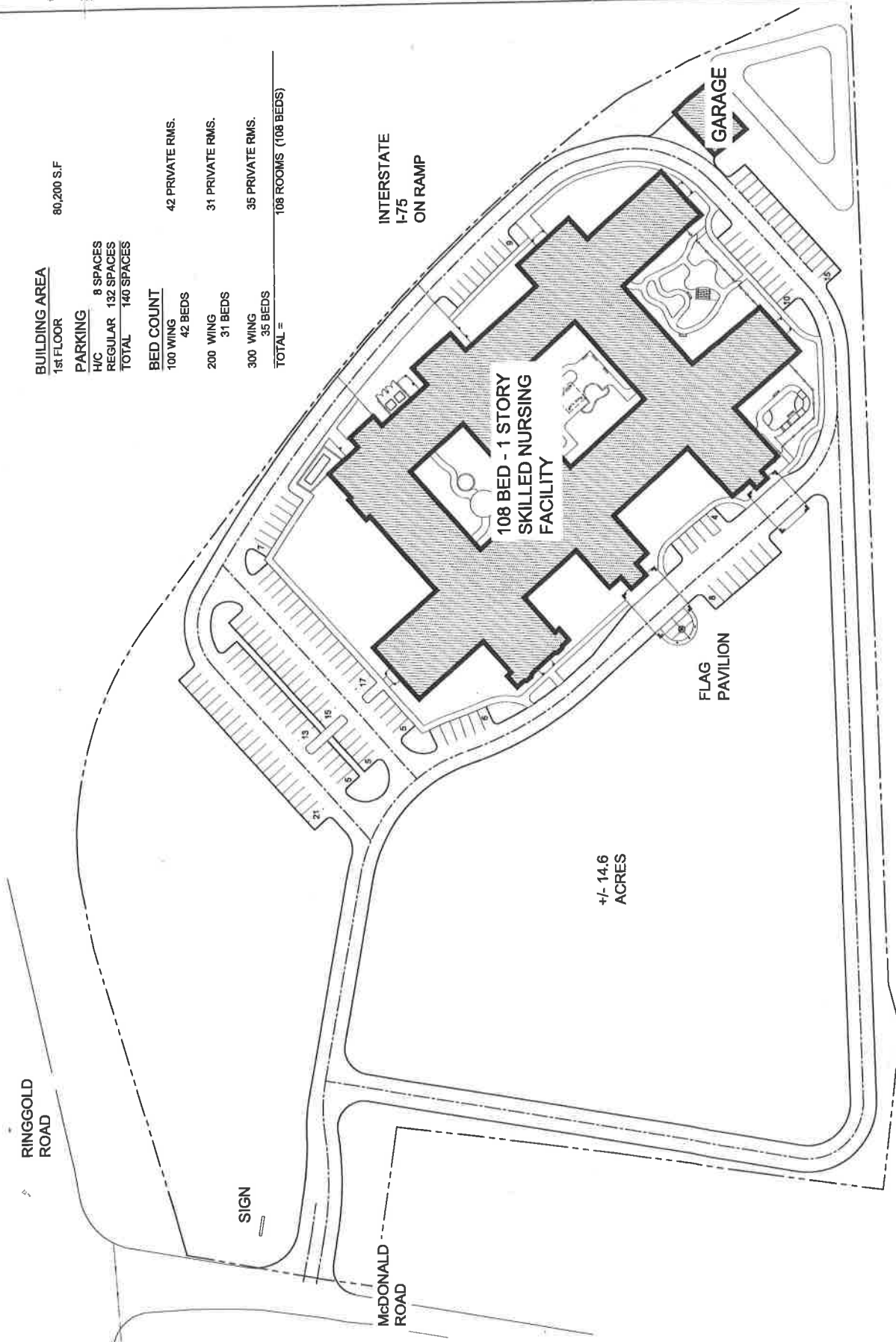


Wyatt Leonard, AIA  
Architect

## **ATTACHMENT B.III.(A).1 & 3**

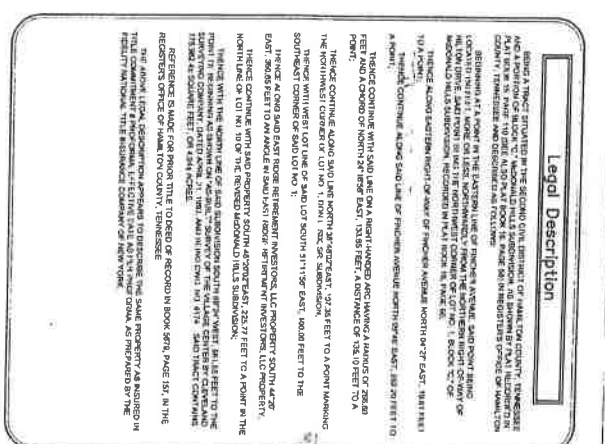
- 1. SIZE OF SITE (IN ACRES) – ± 14.6 ACRES**
- 2. LOCATION OF PROPOSED CONSTRUCTION**

BUILDING AREA	
1st FLOOR	80,200 S.F.
PARKING	
H/C	8 SPACES
REGULAR	132 SPACES
TOTAL	140 SPACES
BED COUNT	
100 WING	42 PRIVATE RMS.
200 WING	31 PRIVATE RMS.
300 WING	35 PRIVATE RMS.
TOTAL =	108 ROOMS (108 BEDS)



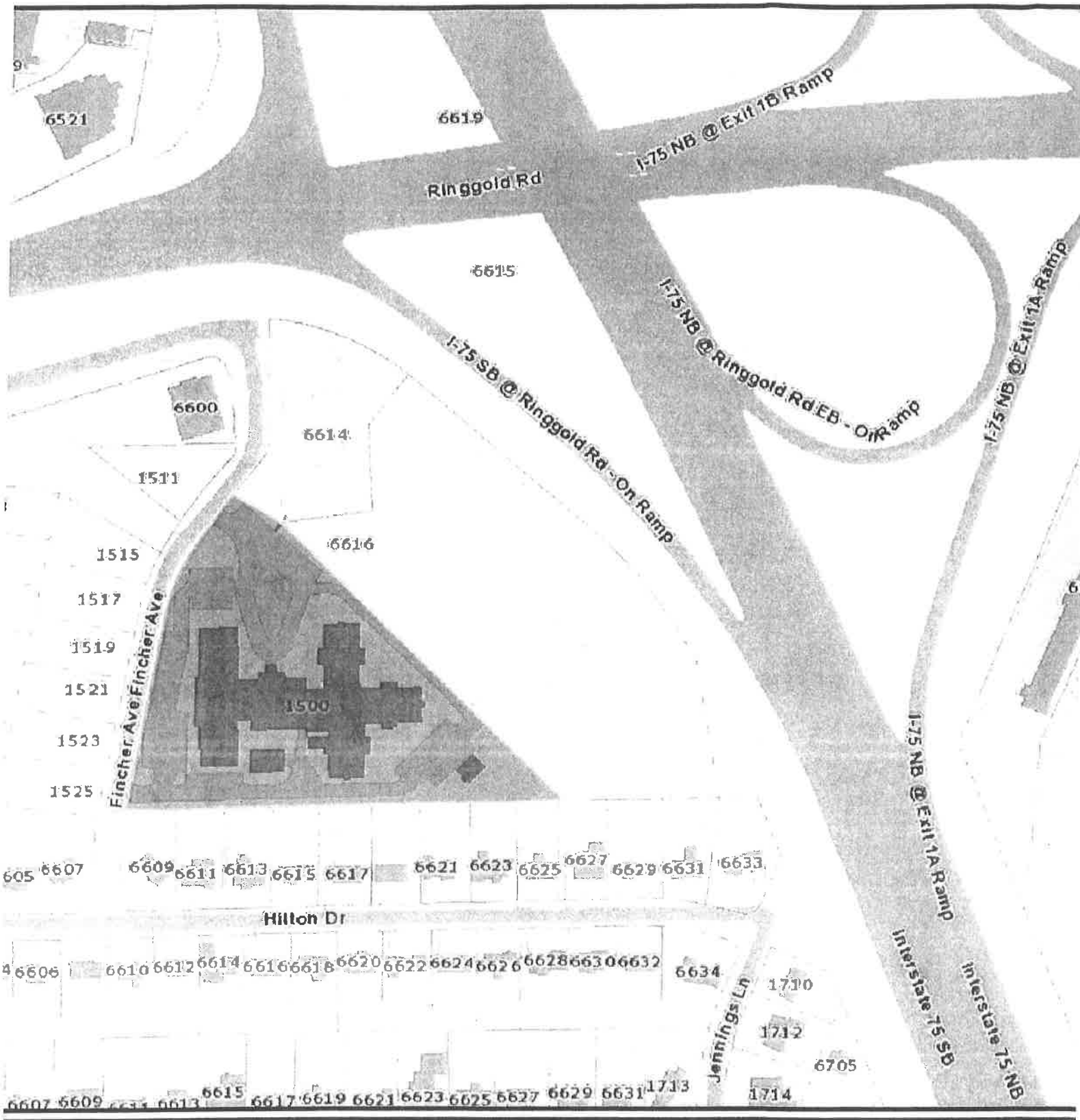
SITE PLAN  
Scale: 1" = 40'-0"

**ATTACHMENT B.III.(A).2**  
**EXISTING STRUCTURE ON SITE**



## **ATTACHMENT B.III.(A).4**

### **NAMES OF STREETS, ROADS OF HIGHWAYS THAT BORDER THE SITE**



# The Map Title

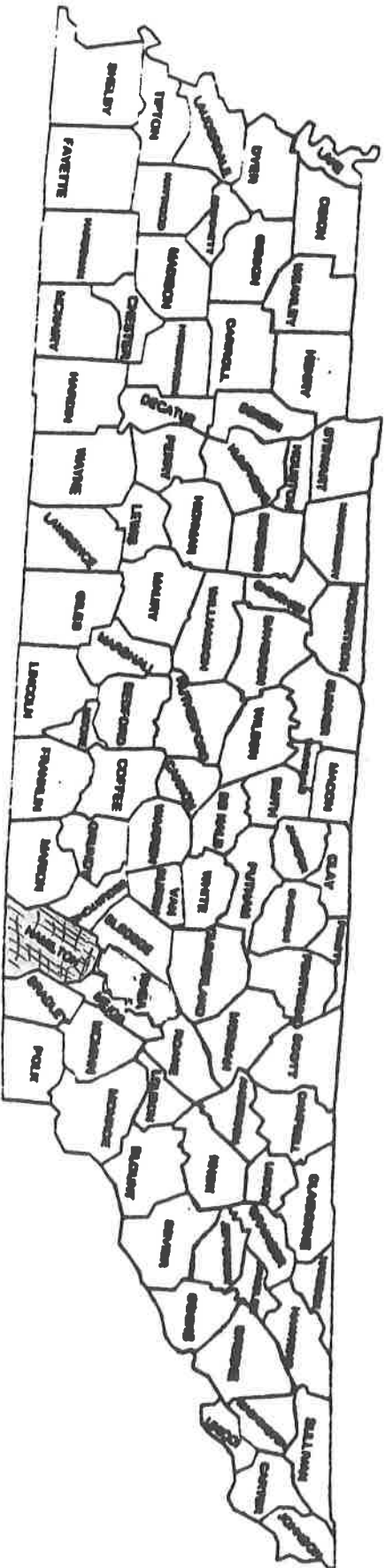
*The Subtitle*

**ATTACHMENT B.IV**  
**COPY OF PROPOSED FLOOR PLAN DRAWING**





## **ATTACHMENT C, NEED.3 SERVICE AREA MAP**



**ATTACHMENT C, NEED.5  
HISTORICAL UTILIZATION DATA**

Attachment C, Need.5  
2010 - Historical Bed Utilization  
Hamilton County

Facility	Licensed Beds	SNF- Beds Medicare	SNF/NF Beds Dully Certified	NF – Beds Medicaid/ Tncare	Licensed Only Beds Non Cert	SNF Medicare Tncare ADC	NF Level 1 Medicaid ADC	SNF All Other Payors ADC	NF All Other Payors ADC	Total ADC
Alexian Village	114	114	-	-	-	14.9	85.3	-	-	87.8
Consulate Health Care	127	-	127	-	-	20.2	100.2	-	-	94.8
Life Care Center of Collegedale	124	-	124	-	-	33.8	82.3	-	-	93.6
Life Care Center of East Ridge	160	-	160	-	-	88.3	25.9	-	-	71.4
Life Care Center of Missionary Ridge	78	-	78	-	-	10.9	49.6	-	-	77.6
Life Care Center of Red Bank	148	-	148	-	-	39.0	100.2	-	-	94.0
NHC Healthcare Chattanooga	207	-	145	62	-	120.9	65.3	-	-	90.0
Siskin Hospital Rehabilitation	29	-	29	-	-	25.3	0.0	-	-	87.2
Soddy Daisy Healthcare Center	120	-	120	-	-	26.7	75.0	-	-	84.8
St. Barnabas Nursing Home	108	-	108	-	-	30.6	64.7	-	-	88.3
The Health Care Center – Standifer Place	474	-	304	170	-	135.1	267.2	-	-	84.9

Total	1,689	114	1,343	232	-	545.7	915.7	-	-	86.5
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**Attachment C, Need.5**  
**2011 - Historical Bed Utilization**  
**Hamilton County**

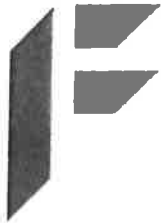
Facility	Licensed Beds	SNF- Beds Medicare	SNF/NF Beds Dully Certified	NF – Beds Medicaid/ Tncare	Licensed Only Beds Non Cert	SNF Medicare TnCare ADC	NF Level 1 Medicaid ADC	SNF All Other Payors ADC	NF All Other Payors ADC	Total ADC
Alexian Village	114	114	-	-	-	21.7	-	-	80.5	89.7
Consulate Health Care	127	-	127	-	-	14.4	-	-	105.2	94.1
Life Care Center of Collegedale	124	-	124	-	-	31.3	-	-	62.6	75.8
Life Care Center of East Ridge	160	-	160	-	-	80.5	-	-	20.3	77.5
Life Care Center of Missionary Ridge	108	-	108	-	-	34.1	-	-	25.2	29.6
Life Care Center of Red Bank	130	-	130	-	-	32.9	-	-	95.9	99.1
NHC Healthcare Chattanooga	207	-	1145	62	-	90.4	-	-	89.7	87.0
Siskin Hospital Rehabilitation	29	-	29	-	-	25.2	-	-	0.0	86.8
Soddy Daisy Healthcare Center	120	-	120	-	-	25.3	-	-	75.4	83.9
St. Barnabas Nursing Home	108	-	108	-	-	31.5	-	-	64.8	89.1
The Health Care Center – Standifer Place	474	-	170	304	-	132.8	-	-	270.6	85.1
Total	1,671	114	1,191	366	-	494.9	-	-	915.4	84.4

**Attachment C, Need.5**  
**2012 - Historical Bed Utilization**  
**Hamilton County**

Facility	Licensed Beds	SNF- Beds Medicare	SNF/NF Beds Dully Certified	NF – Beds Medicaid/ Tncare	Licensed Only Beds Non Cert	SNF Medicare TnCare ADC	NF Level 1 Medicaid ADC	SNF All Other Payors ADC	NF All Other Payors ADC	Total ADC
Alexian Village	114	114	-	-	-	15.9	84.6	-	-	88.2
Consulate Health Care	127	-	127	-	-	18.8	103.0	-	-	95.9
Life Care Center of Collegedale	124	-	124	-	-	37.5	67.4	-	-	84.6
Life Care Center of East Ridge	130	-	130	-	-	71.6	21.5	-	-	71.6
Life Care Center of Missionary Ridge	108	-	108	-	-	59.1	25.8	-	-	78.6
Life Care Center of Red Bank	148	-	148	-	-	36.3	80.0	-	-	77.9
NHC Healthcare Chattanooga	207	-	145	62	-	85.7	90.6	-	-	85.2
Siskin Hospital Rehabilitation	29	-	29	-	-	26.1	0.0	-	-	90.1
Soddy Daisy Healthcare Center	120	-	120	-	-	5.1	72.1	-	-	64.2
St. Barnabas Nursing Home	108	-	108	-	-	42.9	56.3	-	-	91.8
The Health Care Center – Standifer Place	444	-	284	160	-	119.0	391.6	-	-	92.5
Total	1,659	244	1,193	222	-	518.0	892.9	-	-	85.0

**ATTACHMENT C. ECONOMIC FEASIBILITY.1.2  
LETTER FROM PROJECT ARCHITECT OUTLINING  
THE ESTIMATED CONSTRUCTION COSTS**





Franklin Associates, Architects, Inc.

142 N Market St . PO Box 4048 . Chattanooga . TN 37405

423.266.1207

September 25, 2014

Ms. Linda Cross  
Life Care Centers of America  
3001 Keith Street, NW  
Cleveland, TN 37312

Re: Life Care Centers of America -  
108-Bed Skilled Nursing Facility  
East Ridge, TN for  
East Ridge Medical Investors, LLC

Dear Ms. Cross:

We have reviewed the project Square Footage and Cost per Square Footage Chart that has been prepared for the CON to the State of Tennessee for the proposed skilled nursing facility located off McDonald Road in East Ridge, TN. Based on the information shown in this form, and historical budgeting information, we estimate the project cost to be \$17,577,000. This figure is based on the following line items:

a. A/E fees:	\$740,000
b. Site Preparation cost:	\$1,500,000
c. Building Construction cost:	\$14,837,000
d. Contingency fund:	\$500,000

To the best of my knowledge and belief, the facility will meet the 2010 AIA standards as noted in the Guideline for Design & Construction of Health Care Facilities and all applicable local, state and federal standards.

Sincerely,

Wyatt Leonard, AIA  
Architect

**SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART- 9-30-14**

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Resident Rooms	LCC of East Ridge	24,656	-----	New Nursing Home	0	25844	25,844	\$0.00	\$185.00	\$4,781,140.00
Administration	LCC of East Ridge	1,887	-----	New Nursing Home	0	2870	2,870	\$0.00	\$185.00	\$530,950.00
Rehab	LCC of East Ridge	1,331	-----	New Nursing Home	0	4222	4,222	\$0.00	\$185.00	\$781,070.00
Food Service	LCC of East Ridge	1,905	-----	New Nursing Home	0	1732	1,732	\$0.00	\$185.00	\$320,420.00
Laundry	LCC of East Ridge	578	-----	New Nursing Home	0	749	749	\$0.00	\$185.00	\$138,565.00
Patient Care Support Area	LCC of East Ridge	4,577	-----	New Nursing Home	0	5915	5,915	\$0.00	\$185.00	\$1,094,275.00
Activities & Lounge	LCC of East Ridge	1,452	-----	New Nursing Home	0	3826	3,826	\$0.00	\$185.00	\$707,810.00
Storage	LCC of East Ridge	1,276	-----	New Nursing Home	0	758	758	\$0.00	\$185.00	\$140,230.00
Dining	LCC of East Ridge	1,336	-----	New Nursing Home	0	4071	4,071	\$0.00	\$185.00	\$753,135.00
B. Unit/Depart. GSF										
Sub-Total	LCC of East Ridge	38,998		New Nursing Home	0	49,987	49,987	\$130.00	\$185.00	\$9,247,595.00
C. Mechanical / Electrical										
GSF	LCC of East Ridge	147	-----	New Nursing Home	0	2,757	2,757	\$130.00	\$185.00	\$510,045.00
D. Circulation /Structure										
GSF	LCC of East Ridge	14,423	-----	New Nursing Home	0	27,456	27,456	\$130.00	\$185.00	\$5,079,360.00
E. Total GSF	LCC of East Ridge	53,568		New Nursing Home	0	80,200	80,200	\$130.00	\$185.00	\$14,837,000.00

## **ATTACHMENT C. ECONOMIC FEASIBILITY.2.1 FUNDING LETTER**



Bianca Andujo  
Bank of Texas  
5956 Sherry Lane # 700  
Dallas, TX 75209

October 2, 2014

Life Care Centers of America, Inc.  
Forrest L. Preston  
3570 Keith Street, NW  
Cleveland, Tennessee 37312

RE: Life Care Center of East Ridge

Dear Forrest:

We are excited to discuss the opportunity to finance the replacement of your facility in East Ridge, Tennessee. This sounds like an exciting project that will clearly serve the East Ridge area well by delivering the care and services that today's seniors need and desire. As you are aware, Bank of Texas has successfully worked with you and your companies over the past several years and has provided you with financing for multiple projects.

Subject to your adhering to our applicable underwriting criteria, we are interested to work with you on the replacement of Life Care Center of East Ridge. Based on our typical loan parameters, we anticipate that the project can support a loan sufficient to fund up to 100% of the costs. The interest rate would be established at closing, but would be approximately 4% if we closed today. The loan term would be 5 years with interest only during construction and lease-up. I know you are aware of our construction financing process and our capabilities based on our previous successful experiences with one another.

Bank of Texas looks forward to reviewing your loan proposal once you have obtained the necessary Certificate of Need from the State.

Sincerely,

A handwritten signature in cursive script that reads "Bianca Andujo".

Bianca Andujo  
Sr. Vice President

# **ATTACHMENT C. ECONOMIC FEASIBILITY.10 FINANCIAL STATEMENTS**

ACCOUNT NUMBER	DESCRIPTION	PRIOR YEAR YTD	PER BOOKS YTD	ADJUSTMENTS DR CR	AS ADJUSTED	N/P REVER	RECLASSIFICATION DR CR	REPORT
	CASH							
111114	OPERATING CASH LOCAL - CAP	1,000.00	1,000.00					
111121	PAYROLL CASH	10,222.22	505.42					
111129	PAYROLL CLEARING	848.74	240.32					
111131	PEITY CASH	500.00	500.00					
111139	PEITY CASH	300.00	300.00					
	TOTAL CASH	941.04	2,545.74					
	ACCOUNTS & NOTES RECEIVABLE							
	PATIENT RECEIVABLES							
112105	A/R REFUND CLEARING		3,996.00-					
229020	DEFERRED REVENUE		98,456.00-					
112110	A/R PRIVATE	160,053.00-	83,577.61					
112130	A/R M'CARE A	103,736.08	622,672.23					
112135	A/R M'CARE A COINSURANCE	583,524.89	630,001.95					
112138	A/R M'CARE CLEARING	591.51						
112140	A/R M'CARE B	10,631.18	46,681.86					
112145	A/R M'CARE B COINSURANCE	7,768.52	10,771.07					
112148	A/R M'CARE B CLEARING	308.03						
112150	A/R VA/HOSP	716.56	571.20					
112160	A/R SNP INS/CONTRACT	418,583.23	464,760.33					
112180	A/R INSURANCE PART B	14,300.13	55,387.43					
	TOTAL PATIENT RECEIVABLES	1,564,468.46	1,811,971.69					
	ALLOWANCE FOR BAD DEBTS							
112119	A/R PEI B/D ALLOW							
112139	A/R M'CARE A SEQUESTRATION A	19,934.30-	121,529.64-					
112149	A/R M'CARE B SEQUESTRATION A		12,453.44-					
	TOTAL ALLOW FOR BAD DEBTS	19,934.30-	134,916.72-					
	NET PATIENT A/R	1,544,534.16	1,677,054.97					
	OTHER ACCOUNTS RECEIVABLE							
112400	A/R EMPLOYEES							
112471	M'CARE A BAD DEBT 2011	4,422.76	1,224.60					
112472	M'CARE A BAD DEBT 2012	12,035.97						
112473	M'CARE A BAD DEBT 2013	97,832.93						
112474	M'CARE A BAD DEBT 2014	236,243.55	37,409.40-					
112510	A/R ICCA FACILITY	24,025.65	148,824.04					
112515	A/R - RELATED PARTY	172,707.47	14,790.82					
	TOTAL OTHER A/R	549,268.33	28,211.63					
	NOTES RECEIVABLE		155,641.69					
	TOTAL A/R & N/R	2,092,802.45	1,832,696.66					

EAST RIDGE  
EAST RIDGE  
WORKING TRIAL BALANCE  
December 31, 2013

09/30/14 PAGE 2  
17:02  
AUDITWB

ACCOUNT NUMBER	DESCRIPTION	PRIOR YEAR YTD	PER BOOKS YTD	ADJUSTMENTS DR CR	AS ADJUSTED	W/P REFER	RECLASSIFICATION DR CR	REPORT
	SUPPLIES & OTHER CURRENT							
114219	PREPAID OTHER INSR	1,112.82	1,112.82					
114241	PREPAID DUES	10,023.00	10,023.00					
114251	PREPAID LEASE	1,027.71	1,027.71					
114291	PREPAID OTHER	210.00	210.00					
114292	PREPAID OTHER	300.00	300.00					
114293	PREPAID OTHER	1,800.00	1,800.00					
	TOTAL SUPPLIES/OTHER CURREN	12,935.92	14,473.53					
	TOTAL CURRENT ASSETS	2,107,679.35	1,849,715.93					
	LAND & IMPROVEMENTS							
	BUILDING & IMPROVEMENTS							
122301	CONSTRUCTION IN PROGRESS	53,295.63	53,295.63					
122700	LEASEHOLD IMPROVEMENTS	100,839.01	100,839.01					
	TOTAL BLDGS & IMPROVEMENTS	154,134.64	154,134.64					
	EQUIPMENT, FURN & FIXTURES							
122800	TRANSPORTATION EQUIPMENT	98,151.01	98,151.01					
	TOTAL EQUIP, FURN & FIXTURE	98,151.01	98,151.01					
	LEASED PROP UNDER CAP LEASE							
	ACCUMULATED DEPRECIATION							
122709	ACCUM DEPR L/I	98,854.77	98,187.59					
122809	ACCUM DEPR TRANS EQUIP	98,151.01	98,151.01					
	TOTAL ACCUMULATED DEPR	197,005.78	197,338.60					
	NET PROPERTY & EQUIPMENT	55,279.87	54,947.05					
	OTHER ASSETS							
129230	RESIDENT TRUST FUNDS	0.01	0.01					
129400	INSURANCE RECOVERIES RECEIVABL	202,351.79						
	TOTAL OTHER ASSETS	202,351.80	0.01					
	ACCUMULATED AMORT OTH ASSETS							
	NET OTHER ASSETS	202,351.80	0.01					
	INTERCOMPANY							
223150	LCCA DUE TO/FROM - OWNED	10,146,712.86	10,216,450.87					
	TOTAL INTERCOMPANY	10,146,712.86	10,216,450.87					

EAST RIDGE  
EAST RIDGE  
WORKING TRIAL BALANCE  
December 31, 2013

09/30/14  
17:52  
AUDITWTS

ACCOUNT NUMBER	DESCRIPTION	PRIOR YEAR YTD	PER BOOKS YTD	ADJUSTMENTS DR CR	AS ADJUSTED	W/P REFER	RECLASSIFICATION DR CR	REPORT
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12,512.023.88	12,121.113.66							
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TOTAL ASSETS



ACCOUNT NUMBER	DESCRIPTION	PRIOR YEAR YTD	PER BOOKS YTD	ADJUSTMENTS DR CR	AS ADJUSTED	W/P REFR	RECLASSIFICATION DR CR	REPORT
	ACCOUNTS PAYABLE							
21110	TRADE ACCOUNTS PAYABLE	423,511.14	337,372.65					
21120	A/P MONTH END ACCRUAL	7,484.93	2,318.82					
	TOTAL ACCOUNTS PAYABLE	430,996.07	339,691.47					
	ACCRUED EXPENSES							
213112	FEDERAL UNEMPLOY TAX PAY	49.77	73.14					
213114	FICA EMPLOYERS PORTION	13,934.92	13,284.32					
213122	STATE UNEMPLOY TAX PAY	176.40	187.43					
213174	401K W/H	3,115.68	2,039.07					
213210	ACCURED SALARIES	176,807.88	160,874.93					
213220	ACCURED VACATION & SICK	196,004.68	151,094.66					
213240	ACCURED AUDIT FEES	2,785.00	2,650.00					
213320	GARNISHMENTS	595.59	364.92					
	TOTAL ACCURED EXPENSES	392,469.92	330,568.45					
	NOTES PAYABLE							
	GRANT MATURITIES OF L/T DEBT							
	TOTAL CURRENT LIABILITIES	824,465.99	670,259.96					
	LONG TERM DEBT							
	DEFERRED INCOME TAXES & OTHER							
229016	UNRECLAIMED PROPERTY 1998	219.39	128.87					
229030	RESIDENT TRUST FUND	0.01	0.01					
229058	REF: ACCURED TAIL/EXCESS LIAB	115,757.25	116,300.74					
229059	REF: ACCURED RETRO PROF LIAB	29,410.14	12,104.05					
229400	ACCURED LIABILITY RISKS	202,351.79						
	TOTAL DEF TAXES & OTHER	288,918.30	128,533.67					
	PRNR'S CAP/STOCKHOLDERS EQUITY							
301202	INVESTMENT IN SPE/MEMBER	466,222.29	381,915.08					
302300	EARNED CAPITAL/NET'D EARNINGS	11,101,095.17	10,932,417.30					
	Y-T-D NET INCOME (LOSS)	168,677.87	7,987.85					
	TOTAL PRNR/CAP/RET EARNING	11,356,639.59	11,322,320.23					
	TOTAL LIABILITIES & EQUITY	12,512,023.08	12,121,113.86					

STATE FIDELITY  
 STATE FIDELITY  
 Statement of Income - YTD  
 December 31, 2011

2 PARTIAL  
 (000)

MINNESOTA

Page 1  
 05/10/12  
 17:00

DESCRIPTION	YTD	PER DAY	PERIOD YTD	PER DAY	PERIOD YEAR	PER DAY	PERIOD VARIANCE	PERIOD YEAR VARIANCE
INVESTMENT LOSS, NET	20,032	62.34	55,770	54.89	23,359	59.79	5,717	3,906
REVENUE								
RENTAL REVENUE	5,974,170	180.79	7,086,713	197.09	6,503,609	187.80	1,972,543	532,235
ADDITIONAL REVENUE	7,461,453	224.44	6,670,107	206.28	7,925,163	231.37	1,353,674	454,730
NET R. REVENUE	252,064	8.23	140,951	9.58	155,990	43.59	60,907	95,046
OTHER CHARGES, NET REVENUE	33,962	1.00	16,583	0.46	40,501	1.05	12,418	441
STATE FIDELITY	13,726,589	405.02	16,224,364	451.57	14,826,972	430.70	2,459,775	897,402
DEPRECIATION, NET REVENUE	2,205,124	76.01	2,361,119	66.01	1,765,625	51.96	105,895	489,499
STATE F. DEPRECIATION	92,181	3.07	91,145	3.56	41,739	1.23	1,016	50,391
NET DEPRECIATION, NET REVENUE	2,397,305	78.11	2,482,264	69.56	1,907,415	57.22	164,929	539,890
NET REVENUE	11,361,204	378.74	13,772,080	389.50	12,818,656	372.47	2,350,750	1,437,372
OPERATING EXPENSES								
MANAGEMENT & RELATED TAXES	5,540,693	190.67	6,054,007	169.23	6,350,103	183.17	473,774	608,475
PROPERTY	537,414	16.05	794,431	22.21	725,731	21.07	257,045	168,315
STATE TAXES	76,346	2.34	85,640	2.40	140,799	4.13	10,294	64,450
TOTAL OPERATING EXPENSES	6,214,353	208.90	6,934,078	193.80	7,216,633	207.49	770,713	1,040,260
DEPRECIATION	1,022,827	36.00	2,035,749	56.01	1,597,511	47.35	892,814	248,687
STATE DEPRECIATION	92,181	3.07	91,145	3.56	41,739	1.23	1,016	50,391
PROPERTY DEPRECIATION	930,646	28.93	1,944,604	54.45	1,555,772	46.12	891,798	198,296
PROPERTY TAXES	132,181	4.20	123,431	4.45	139,766	4.13	0,722	13,427
PROPERTY TAXES	127,400	4.07	122,860	4.65	139,278	4.06	44,549	79,139
PROPERTY TAXES	5,181	0.15	108,245	3.03	104,560	3.08	2,101	1,586
OTHER EXPENSES	1,244,690	44.77	1,514,109	42.33	1,557,626	45.66	108,609	213,927
TOTAL OPERATING EXPENSES	10,102,314	336.81	11,479,522	319.75	11,678,423	340.93	1,204,706	1,497,109
OPERATING PROFIT	1,198,890	39.90	2,334,558	65.75	1,138,233	32.53	1,135,999	59,737
OPERATING PROFIT	10,853	0.33	16,954	0.47	0,853	0.24	6	2
STATE DEPRECIATION EXPENSE								
MANAGEMENT & RELATED TAXES	571,103	18.00	626,604	18.25	649,872	19.87	117,169	49,825
PROPERTY & RELATED TAXES	357	0.01	2,671	0.07	1,743	0.05	2,718	1,358
PROPERTY TAXES	2	0.00	562,044	15.73	648,129	19.84	36,106	2
PROPERTY TAXES	560	0.02	153	0.00	153	0.00	407	400
TOTAL STATE DEPRECIATION EXP	1,198,890	39.90	1,254,452	35.01	1,359,510	39.91	62,470	116,525
NET TAX PROFIT	0,550	0.17	1,080,106	30.22	168,723	4.87	1,074,116	176,855

**ATTACHMENT. ORDERLY DEVELOPMENT.7(b).1  
COPY OF LICENSE**

50

**ATTACHMENT. ORDERLY DEVELOPMENT.7(b).2  
COPY OF ACCREDITATION CERTIFICATE**



July 27, 2012

Doyle R. Love, RN, CNIA, FACHCA  
MD  
Life Care Center of East Ridge  
1500 Fletcher Avenue  
East Ridge, TN 37412

Joint Commission ID #: 118980  
Program: Long Term Care Accreditation  
Accreditation Activity: 60-day Evidence of  
Standards Compliance  
Accreditation Activity Completed: 07/27/2012

Dear Mr. Love:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Long Term Care

This accreditation cycle is effective beginning May 25, 2012. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

A handwritten signature in dark ink, reading 'Mark G. Polletier'.

Mark G. Polletier, RN, MS  
Chief Operating Officer  
Division of Accreditation and Certification Operations

**ATTACHMENT. ORDERLY DEVELOPMENT.7(c).1  
COPY OF LAST INSPECTION, THE CORRECTION  
ACTION PLAN AND THE FINAL CLEARANCE  
LETTER**



STATE OF TENNESSEE  
**DEPARTMENT OF HEALTH**  
OFFICE OF HEALTH LICENSURE AND REGULATION  
EAST TENNESSEE REGION  
7175 STRAWBERRY PLAINS PIKE, SUITE 103  
KNOXVILLE, TENNESSEE 37914

March 24, 2014

Mr. Benjamin Zani, Administrator  
Life Care Center of East Ridge  
1500 Fincher Avenue  
East Ridge TN 37412

Re: 44-5296

Dear Mr. Zani:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey/complaint investigation on January 21 - 23, 2014. An on-site revisit and review of the facilities plan of correction for the deficiencies cited as a result of the survey was conducted on March 12, 2014. Based on the on-site revisit and review, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of February 14, 2014.

If you have any questions concerning this letter, please contact our office at (865) 594-9396.

Sincerely,

A handwritten signature in cursive script that reads "Karen Kirby/afl".

Karen B. Kirby, R.N.  
Regional Administrator  
ETRO Health Care Facilities

KK:afl



From:

02/06/2014 09:39

#948 P.003/011

2014-02-05 14:57

DC0547PM13501

8652125642 >>

P 2/10



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
OFFICE OF HEALTH LICENSURE AND REGULATION  
EAST TENNESSEE REGION  
7175 STRAWBERRY PLAINS PIKE, SUITE 103  
KNOXVILLE, TENNESSEE 37914

**IMPORTANT NOTICE - PLEASE READ CAREFULLY**

February 5, 2014

Mr. Benjamin Zani, Administrator  
Life Care Center of East Ridge  
1500 Fincher Avenue  
East Ridge TN 37412

RE: 44-6296

Dear Mr. Zani:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey/complaint investigation on January 21 - 23, 2014. This letter to you is to serve as notice that as a result of the survey completed January 23, 2014, your facility was not in substantial compliance with the participation requirements of Medicare and/or Medicaid Programs. A statement of deficiencies (CMS 2567) is being provided to you with this letter.

If you do not achieve substantial compliance by March 9, 2014 (45<sup>th</sup> day), our office will recommend to the Centers for Medicare & Medicaid Services (CMS) and/or the State Medicaid Agency that enforcement remedies be imposed.

All references to regulatory requirements contained in this letter are found in Title 42, Code of Federal Regulations.

**Mandatory Remedies**

If you do not achieve substantial compliance by April 23, 2014, (3 months after the last day of the survey identifying noncompliance January 23, 2014), the CMS Regional Office and/or State Medicaid Agency must deny payments for new admissions.

We will also recommend to the CMS Regional Office that your Provider Agreement be terminated on July 23, 2014, if substantial compliance is not achieved by that time.

Please note that this notice does not constitute formal notice of imposition of alternative remedies or termination of your provider agreement. Should the Centers for Medicare and Medicaid Services determine that termination or any other remedy is warranted, it will provide you with a separate formal notification of that determination.

From:

02/06/2014 09:40

#948 P.004/011

2014-02-05 14:58

DC0547PM13501

8652125642 >>

P 3/10

Mr. Benjamin Zani, Administrator  
February 5, 2014  
Page 2

**Plan of Correction (POC)**

A POC for the deficiencies must be submitted by **February 15, 2014**. Failure to submit an acceptable POC by **February 15, 2014**, may result in the imposition of remedies by **March 9, 2014**.

Your POC must contain the following:

What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice;

How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken;

What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur; and

How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

**INFORMAL DISPUTE RESOLUTION**

In accordance with 488.331, you have one opportunity to question cited deficiencies. You may request a Face to Face IDR for substandard level deficiencies, harm level deficiencies and immediate jeopardy level deficiencies. All other deficiencies will receive a desk review (telephone or written) by the Regional Office that cited the deficiency. These requests must be made within the same 10-calendar day period that you have for submitting an acceptable plan of correction and must contain additional justification as to why the deficiency(ies) should not have been written for harm level deficiencies or other deficiencies that are not substandard or immediate jeopardy. Evidence to dispute the scope and severity levels may only be submitted for substandard or immediate jeopardy deficiencies. Additional information which must be submitted with your request for an IDR is limited to no more than five (5) typed pages with a font size of no less than ten (10). If the facility is requesting a desk review in addition to a face to face IDR, the facility must submit two separate requests with their plan of correction to the State Survey Agency at the address on this letter, telephone 865-688-5656 or fax number 865-594-5739. An incomplete Informal Dispute Resolution process will not delay the effective date of any enforcement action.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-588-5656 or by fax: 865-594-5739.

Sincerely,

  
Karen B. Kirby, R.N.  
Regional Administrator  
ETRO Health Care Facilities

KK:af

Enclosure

From:

02/14/2014 08:44

#065 P.002/008

## CENTERS FOR MEDICARE &amp; MEDICAID SERVICES

FORM APPROVED  
OMB NO. 0938-0391STATEMENT OF DEFICIENCIES  
AND PLAN OF CORRECTION(X1) PROVIDER/SUPPLIER/CLIA  
IDENTIFICATION NUMBER:

445296

(X2) MULTIPLE CONSTRUCTION

A. BUILDING \_\_\_\_\_

B. WING \_\_\_\_\_

(X3) DATE SURVEY  
COMPLETED

01/23/2014

NAME OF PROVIDER OR SUPPLIER

LIFE CARE CENTER OF EAST RIDGE

STREET ADDRESS, CITY, STATE, ZIP CODE

1500 FINCHER AVENUE  
EAST RIDGE, TN 37412

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 000	INITIAL COMMENTS  A recertification survey and complaint investigation #32359 were completed on January 21 - January 23, 2014, at Life Care Center of East Ridge. No deficiencies were cited related to complaint investigation #32359 under 42 CFR Part 483, Requirements for Long Term Care Facilities.	F 000		
F 456 SS=F	483.70(c)(2) ESSENTIAL EQUIPMENT, SAFE OPERATING CONDITION  The facility must maintain all essential mechanical, electrical, and patient care equipment in safe operating condition.  This REQUIREMENT is not met as evidenced by: Based on observation, review of facility policy, and interview, the facility failed to maintain essential kitchen equipment in safe operating condition.  The findings included:  Observation in the dietary department on January 21, 2013, at 11:30 a.m., revealed a foul odor present in the area adjacent to the hot water temperature booster and beneath the garbage disposal. Continued observation revealed three approximately ten inch sections of cut two by four boards lying on the floor beneath the garbage disposal. Continued observation revealed the boards and floor were coated in damp, black, debris. Continued observation revealed the presence of blackened debris present on the dishwasher control box.	F 456	This plan of correction is submitted and required under Federal and State regulations and statutes applicable to long term care providers. The plan of correction does not constitute an admission of liability on the part of the facility and such liability is hereby specifically denied. The submission of this plan of correction does not constitute agreement by the facility that the surveyor's findings or conclusions are accurate, that the findings constitute a deficiency, or that the scope or severity regarding any of the deficiencies cited is correctly applied.  P456  1. CORRECTIVE ACTION Water booster was removed by maintenance director, water lines were re-routed, and electrical box re-mounted all on 1/21/14. Floor boards were removed by maintenance director and area was thoroughly cleaned by kitchen staff on 1/21/14. State inspector examined area later in day and found area to be in compliance.  2. IDENTIFICATION OF OTHER RESIDENTS No other equipment was found to be defective by maintenance director on 1/21/14.	2/14/14  2/14/14 17

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

A deficiency statement ending with an asterisk (\*) denotes a deficiency which the institution may be excused from correcting providing it is determined that or safeguards provide sufficient protection to the patients. (See Instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

From:

02/14/2014 08:45

#065 P.003/008

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 02/03/2014  
FORM APPROVED  
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  445296	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  01/23/2014
NAME OF PROVIDER OR SUPPLIER  LIFE CARE CENTER OF EAST RIDGE			STREET ADDRESS, CITY, STATE, ZIP CODE 1500 FINCHER AVENUE EAST RIDGE, TN 37412		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 456	<p>Continued From page 1</p> <p>Review of facility policy, Preventative Maintenance Water and Plumbing System, revised March 2004 revealed "...maintenance personnel will perform preventative maintenance and corrective actions..."</p> <p>Interview with the Dietary Manager on January 21, 2014, at 11:40 a.m., in the dietary department confirmed the hot water temperature booster was leaking and the floor beneath the garbage disposal was soiled after maintenance personnel recently attempted repair of the garbage disposal.</p> <p>Interview with the Maintenance Director, on January 21, 2014, at 11:45 a.m., in the dietary department confirmed the boards were to have been removed, the floor beneath the garbage disposal cleaned after the repairs, and confirmed the facility had failed to maintain the water temperature booster which was leaking onto the kitchen floor.</p>	F 456	<p>F456 Cont...</p> <p>3. <b>SYSTEMATIC CHANGES</b> Kitchen equipment being inspected weekly by maintenance director for functionality and safety. Dishes now being sanitized by kitchen staff with chemical solution, rather than with water booster.</p> <p>4. <b>MONITORING OF CORRECTIVE ACTION</b> Maintenance Director will inspect kitchen equipment weekly for four weeks and monthly for three months and present findings to QAPI committee for following 3 months. The Executive Director will monitor this process monthly to ensure continued compliance.</p>	2/14/14	



From

02/14/2014 08:45

#065 P.004/008

## Division of Health Care Facilities

FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TN3308	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____  B. WING: _____	(X3) DATE SURVEY COMPLETED  01/23/2014
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NAME OF PROVIDER OR SUPPLIER

STREET ADDRESS, CITY, STATE, ZIP CODE

LIFE CARE CENTER OF EAST RIDGE

1600 FINCHER AVENUE  
EAST RIDGE, TN 37412

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X6) COMPLETE DATE
N 001	1200-8-6 Initial Comments  This Rule is not met as evidenced by: A licensure survey and complaint investigation #32359 were completed on January 21 - January 23, 2014, at Life Care Center of East Ridge. No deficiencies were cited related to complaint investigation #32359 under Chapter 1200-8-6, Standards for Nursing Homes.	N 001		
N 433	1200-8-6-.04(24) Administration  (24)The facility shall develop a concise statement of its charity care policies and shall post such statement in a place accessible to the public.  Authority: T.C.A. §§4-5-202, 4-5-204, 39-17-1803, 39-17-1804, 39-17-1805, 68-11-202, 68-11-204, 68-11-206, 68-11-209, 68-11-225, 68-11-254, 68-11-256, 68-11-257, 68-11-268, 68-11-906, and 71-6-121.  This Rule is not met as evidenced by: Based on observation and interview, the facility failed to post the facility's charity care policy in a place accessible to the public.  The findings included:  Observation with the Administrator on January 23, 2014, at 1:00 p.m., in the facility lobby and main hallway revealed no posting of the facility's charity care policy.  Interview with the Administrator, at the time of the observation, in the facility lobby confirmed the	N 433	<p>N433</p> <p>1. CORRECTIVE ACTION On January 23, 2014, the Administrator posted the facility's charity care policy on the "Providing the Right Care at the Right Time" poster, which is located in the front lobby next to the dining room. The policy states that "This facility does not discriminate according to a resident's financial status. This facility does provide Charity Care."</p> <p>2. IDENTIFICATION OF OTHER RESIDENTS Other residents could be directly affected by this.</p> <p>3. SYSTEMATIC CHANGES The facility plans to inform residents, upon admission, of its Charity Care policy going forward.</p> <p>4. MONITORING OF CORRECTIVE ACTION The administrator plans to check the "Providing the Right Care at the Right Time" poster at least three times per week for a four week span, reporting the findings to the QA/PI committee for three months.</p>	2/14/14

Division of Health Care Facilities

REGULATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

THE FORM

6001

TYLD11

Executive Director

2/14/14

If continuation sheet 1 of 2

From:

02/14/2014 08:45

#065 P.005/008

## Division of Health Care Facilities

FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TN3308	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____  B. WING: _____	(X3) DATE SURVEY COMPLETED  01/23/2014
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NAME OF PROVIDER OR SUPPLIER

STREET ADDRESS, CITY, STATE, ZIP CODE

LIFE CARE CENTER OF EAST RIDGE

1500 FINCHER AVENUE  
EAST RIDGE, TN 37412

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 433	Continued From page 1 facility had failed to post it's own charity care policy.	N 433		

Division of Health Care Facilities  
STATE FORM

8899

TYLD11

If continuation sheet 2 of 2



From:

02/14/2014 08:45

#065 P.006/008

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICESPRINTED: 01/24/2014  
FORM APPROVED  
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  448296	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01  B. WING _____		(X3) DATE SURVEY COMPLETED  01/21/2014
NAME OF PROVIDER OR SUPPLIER  LIFE CARE CENTER OF EAST RIDGE			STREET ADDRESS, CITY, STATE, ZIP CODE 1500 FINCHER AVENUE EAST RIDGE, TN 37412		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 038 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Exit access is arranged so that exits are readily accessible at all times in accordance with section 7.1. 19.2.1</p> <p>This STANDARD is not met as evidenced by: Based on observations, it was determined the facility failed to arrange exit access readily available at all times.</p> <p>The findings included:</p> <p>1. Observation in the corridor by the elevator equipment room on 1/21/14 revealed a door equipped with delayed egress, but did not have the proper signage.</p> <p>2. Observation in the corridor by the elevator equipment room revealed two delayed egress doors in the path of egress. It was also observed that the doors to the stairway on the second floor were equipped with delayed egress, resulting in more than one delayed egress lock in the path of egress.</p> <p>These findings were acknowledged by the Director of Plant Operations and the facility administrator during the exit interview on 1/21/14.</p>	K 038	<p>K038</p> <p>1. CORRECTIVE ACTION</p> <p>Per TN licensed architect recommendation, a "Not an Exit" sign was installed by the Maintenance Director in the corridor by the elevator room on 2/12/14.</p> <p>Also, Per TN licensed architect recommendation, a "Not an Exit" sign was installed by Maintenance Director on the second floor center stairwell door on 2/12/14.</p> <p>2. IDENTIFICATION OF OTHER RESIDENTS</p> <p>All delayed egress locks were assessed by the Maintenance Director on 1/21/14 to assure that no other locks have two delayed egress locks in the path of egress.</p> <p>3. SYSTEMATIC CHANGES</p> <p>Maintenance Director to perform quarterly inspections to ensure that no two delayed egress locks are in the path of egress.</p> <p>4. MONITORING OF CORRECTIVE ACTION</p>	2/17/14	
K 147 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Electrical wiring and equipment is in accordance with NFPA 70, National Electrical Code, 9.1.2</p>	K 147	<p>Safety and Q&amp;PI committee will assess the quarterly documentation from Maintenance Director. The Executive Director will monitor this process monthly to ensure continued compliance.</p>		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Any deficiency statement ending with an asterisk (\*) denotes a deficiency which the institution may be excused from correcting providing it is determined that their safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 60 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

From:

02/14/2014 08:46

#065 P.007/008

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 01/24/2014  
FORM APPROVED  
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  445296	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01  B. WING _____	(X3) DATE SURVEY COMPLETED  01/21/2014
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NAME OF PROVIDER OR SUPPLIER

LIFE CARE CENTER OF EAST RIDGE

STREET ADDRESS, CITY, STATE, ZIP CODE

1500 FINCHER AVENUE

EAST RIDGE, TN 37412

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 147	<p>Continued From page 1</p> <p>This STANDARD is not met as evidenced by: Based on observation, it was determined the facility failed to maintain the electrical system.</p> <p>The finding included:</p> <p>Observation on 1/21/14 at 11:51 AM revealed the electric panels in the 100 hall, next to room 208, and next to 223 in the corridors were not locked.</p> <p>This finding was acknowledged by the director of plant operations and the facility administrator during the exit interview on 1/21/14.</p>	K 147	<p>K147</p> <ol style="list-style-type: none"> <li><b>CORRECTIVE ACTION</b> The Maintenance Director locked the electric panels in question on 1/21/14, and inspected all of the electric panels in the building the same day. Now, stronger locks were ordered during the week of 2/3/14 and installed by Maintenance Director onto electrical boxes on 2/7/14.</li> <li><b>IDENTIFICATION OF OTHER RESIDENT</b> No other electric panels were found to be unlocked at the time.</li> <li><b>SYSTEMATIC CHANGES</b> Panels are being inspected weekly to ensure proper locking is taking place, as well as upon use of panels.</li> <li><b>MONITORING OF CORRECTIVE ACTION</b></li> <li>Maintenance Director will inspect panels weekly and present findings to QA/PI committee for 3 months. The Executive Director will monitor this process monthly to ensure continued compliance.</li> </ol>	2/4/14



From:

02/14/2014 08:46

#065 P.008/008

## Division of Health Care Facilities

PRINTED: 01/24/2014  
FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TN3308	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING 01  B. WING _____		(X3) DATE SURVEY COMPLETED  01/21/2014
NAME OF PROVIDER OR SUPPLIER  LIFE CARE CENTER OF EAST RIDGE		STREET ADDRESS, CITY, STATE, ZIP CODE 1500 FINCHER AVENUE EAST RIDGE, TN 37412			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
N 002	1200-B-6 No Deficiencies  Based on observations, testing, and records review on 1/21/14, it was determined the facility was in compliance with the Life Safety Code requirements of the Tennessee Department of Health, Board of Licensing Health Care Facilities and Chapter 1200-08-06 Standards for Nursing Homes and its referenced publications.	N 002		2/14/14	

Division of Health Care Facilities

LABORATORY DIRECTORS OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

DATE FORM

TYLD21

If continuation sheet 1 of 1

**ATTACHMENT  
PROOF OF PUBLICATION**

## LEGAL NOTICES

## LEGAL NOTICES

## LEGAL NOTICES

### PUBLICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Life Care Center of East Ridge  
1500 Fincher Avenue  
Hamilton County  
East Ridge, Tennessee 37412

operated by Life Care Centers of America, Inc., a Tennessee corporation (the "applicant") intends to file an application for a Certificate of Need for the replacement of its current facility located at 1500 Fincher Avenue, East Ridge, Tennessee. The replacement facility will allow for the construction of a new nursing home facility to replace the existing forty year old building and will be located to the east of the existing facility upon an unaddressed site adjacent to the current site at 1500 Fincher Avenue, Hamilton County, East Ridge, Tennessee. The approximate project cost of the replacement will be \$24,874,400.00. The new facility will reduce the number of beds from 130 beds to 108 beds. No other services will be initiated or discontinued, and no major medical equipment is requested.

The anticipated date of filing the application is October 15, 2014. The contact person for this project is Cindy S. Cross,

Sr. Director of Legal Services, who may be reached at  
Life Care Centers of America, Inc.,  
3570 Keith Street, NW, Cleveland, TN, 37312,  
(423) 473-5867.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted.  
Written requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

## LEGAL NOTICES

partments, agencies, or employees is or will be a party to this Invitation for Bids or any resulting contract(s) awarded by the Owner.

#### SPECIAL NOTICE TO DISADVANTAGED BUSINESS ENTERPRISES (DBE) FIRMS

All qualified Disadvantaged Business Enterprises (DBE) firms desiring to bid

## LEGAL NOTICES

IS AND WITH ALL FAULTS, and without any representations or warranties of any kind whatsoever, whether express or implied. Without limiting the foregoing, THE PROPERTY IS TO BE SOLD WITHOUT ANY IMPLIED WARRANTIES OF MERCHANTABILITY, CONDITION, OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

Other interested parties: None

tion and transmission of the record appeal, and the filing of briefs in the appellate court, as well as other special provisions for expediting the appeal. You may obtain a copy of the Petition and any subsequently filed legal documents in the Chancery Court Clerk's office at the address shown above.

This the 16th day of September, 2014

Robin L. Miller, CLERK AND MASTER  
By: Lisa Smith  
D. C. &

IN THE CHANCERY COURT FOR  
HAMILTON COUNTY, TENNESSEE  
NO. 14-0560  
PART 1

JORDAN TODD

Plaintiff,

VS.

CHESTER W. GILL, a/k/a C.W. GILL his heirs and assigns, SARAH EVELYN GILL a/k/a SARAH W. GILL a/k/a SARA E. GILL a/k/a EVELYN W. GILL a/k/a MRS. CHESTER W. GILL her heirs and assigns, JAMES GILL his heirs and assigns, and any all unknown Claimants of any right, title and/or interest in and To the herein described property

Defendants,

#### PUBLICATION NOTICE

TO: CHESTER W. GILL, A/K/A C.W. GILL, HIS HEIRS AND ASSIGNS, SARAH EVELYN GILL A/K/A SARAH W. GILL A/K/A SARA E. GILL A/K/A EVELYN W. GILL A/K/A MRS. CHESTER W. GILL, HER HEIRS AND ASSIGNS, AND ANY ALL UNKNOWN CLAIMANTS OF ANY RIGHT, TITLE AND/OR INTEREST IN AND TO THE HEREIN DESCRIBED PROPERTY

It appearing that service cannot be had on you in Hamilton County, Tennessee, or that you are now non-residents of the State of Tennessee; it is ORDERED that unless you appear and defend the Complaint on file in the above-styled case within thirty (30) days after October 10, 2014, a default judgment may be taken against you for the relief demanded in said Complaint.

This the 17th day of September, 2014.

S. LEE AKERS, CLERK AND MASTER  
By: Charlene Simmons  
Deputy Clerk

IN THE CHANCERY COURT FOR  
HAMILTON COUNTY, TENNESSEE  
NO. 14-0553  
PART 2

GOODWIN SOUTHERN PROPERTY, LLC

Plaintiff

VS.

T.W. KOONS, TRUSTEE, ET AL

Defendants

#### PUBLICATION NOTICE

TO: T.W. KOONS, TRUSTEE, AND ANY AND ALL UNKNOWN CLAIMANTS OF ANY RIGHT, TITLE AND/OR INTEREST IN AND TO THE PROPERTY DESCRIBED IN THE COMPLAINT OF RECORD IN THE CLERK & MASTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE, THEIR HEIRS, BENEFICIARIES, AND LEGATEES

It appearing that service cannot be had on you in Hamilton County, Tennessee, or that you are now non-residents of the State of Tennessee; it is ORDERED that unless you appear and defend the Complaint on file in the above-styled

2014 OCT 13 PM 4:00

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BRADLEY

Joan E. Thurmond, Assistant Secretary of Life Care Centers of America, Inc., being first duly sworn, says that she is Assistant Secretary of the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Life Care Centers of America, Inc.

By: *Joan E. Thurmond*  
Joan E. Thurmond, Assistant Secretary

Sworn to and subscribed before me this 13<sup>th</sup> day of October, 2014 a Notary  
(Month) (Year)  
Public in and for the County/State of Bradley County, Tennessee

*Becky Richmond*  
NOTARY PUBLIC

My commission expires 2-7-2017



Life Care Centers of America, Inc.

19216 Health Services and Developmnt

CHECK PAYMENT NBR. 18513

DATE 10/03/14

INVOICE	DESCRIPTION	DATE	P.O. NO.	GROSS AMT.	DISCOUNT	AMOUNT
ERCON10151 Please return	East ridge CON ck to Jaime Sipe	10/01/14		45000.00	0.00	45000.00
TOTALS				45000.00	0.00	45000.00

Life Care Centers of America, Inc.  
P.O. Box 3323  
Cleveland, Tennessee 37320-3323

SunTrust  
Chattanooga, Tennessee

NO. 18513

87-4/640

DATE 10/03/14

423-339-8316

18513



PAY FORTY-FIVE THOUSAND AND 00/100

TO THE  
ORDER  
OF

Health Services and Developmnt  
\*\*\*\*

*Jaime Sipe*

VOID AFTER 180 DAYS

⑈018513⑈ ⑆064000046⑆ 1000158608926⑈

See Reverse Side For Easy Opening Instructions



Life Care Centers of America, Inc.  
P.O. Box 3323  
Cleveland, Tennessee 37320-3323

Health Services and Developmnt

\*\*\*\*



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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January 2, 2015

Cindy A. Cross, Senior Director of Legal Services

Life Care Centers of America, Inc.

3570 Keith Street, NW

Cleveland TN 37312

**RE: Certificate of Need Application -- Life Care Centers of America, Inc., d/b/a  
Life Care Center of East Ridge - CN1410-044**

The replacement of the existing 130-bed facility with a new 108-bed facility on the same campus located at 1500 Fincher Avenue, East Ridge (Hamilton County). Twenty-two beds will be delicensed. The project cost is estimated to be \$24,874,400.00.

Dear Ms. Cross:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised your application is now considered complete by this office. The application is being forwarded to the Tennessee Department of Health for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on January 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on March 25, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

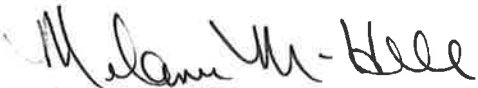
- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for

Cindy A. Cross, Senior Director of Legal Services  
January 2, 2015  
Page 2

the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie M. Hill", written in a cursive style.

Melanie M. Hill  
Executive Director

cc: Trent Sansing, CON Director, Division of Health Statistics



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)


Phone: 615-741-2364

Fax: 615-741-9884

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MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM: Melanie M. Hill   
Executive Director

DATE: January 2, 2015

RE: Certificate of Need Application  
Life Care Centers of America, Inc., d/b/a Life Care Center  
of East Ridge - CN1410-044

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on January 1, 2015 and end on March 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Cindy A. Cross, Senior Director of Legal Services





**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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December 9, 2014

Cindy Cross  
Senior Director of Legal services  
Life Care Centers of America  
3570 Keith Street, NW  
Cleveland, TN 37312

Re: Certificate of Need Application – CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

The purpose of this letter is to remind you that your application remains incomplete. By law, if an application is not deemed complete within sixty (60) days after written notification is given to the applicant by agency staff, the application shall be deemed void. This application will be deemed void if it is not complete by December 16, 2014 at 4:30 pm.

The agency received your application on October 14, 2014. Supplemental information was first requested on October 17, 2014. It is imperative that you respond immediately to the November 21, 2014 request for supplemental information. This agency must have time to review your responses to ensure that you have responded fully to all requests for information.

I have enclosed a copy of our last request for supplemental information. Please respond no later than Monday, December 15, 2014 by 12:00 p.m.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie M. Hill".

Melanie M. Hill  
Executive Director

Enclosure

cc: Mark Farber



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

**www.tn.gov/hsda** Phone: 615-741-2364/Fax:615/532-9940

November 21, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

This will acknowledge our November 18, 2014 receipt of your supplemental response for a Certificate of Need for the replacement of Life Care Center of East Ridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 p.m., Tuesday, November 25, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section A. 6 (Site Control)**

It is noted Life Care Centers of America, Inc. is planning to lease the premises from lessors East Ridge Medical Investors, LLC. Please provide control of the site by providing a deed documenting the three LLCs East Ridge Medical Investors, LLC, East Ridge Retirement Investors, LLC and Fincher Real Estate Investors, LLC owns the property.

**2. Section C, Economic Feasibility, Item 10**

In Supplemental #2 it is noted East Ridge Medical Investors, LLC will finance the proposed project by a bank loan. Please provide the latest balance sheet and income statement as well as the most recent audited financial statements with accompanying notes from East Ridge Medical Investors which documents the LLC has the financial resources to finance the proposed project.

Please clarify why the funding letter from the Bank of Texas is addressed to Life Care Centers of America, Inc. rather than East Ridge Medical Investors, LLC.

Please clarify which entity will be responsible for the \$23.9 million balloon payment.

The 2 pending Life Care Centers of America, Inc. lawsuits in the United States District Court for the Eastern Division of Tennessee is noted. However, as requested in supplemental #3, please provide an overview of the allegations, status, and its possible impact upon the financial outlook of Life Care Centers of America, Inc.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person and legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Ms. Cindy Cross  
November 21, 2014  
Page 3

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip M. Earhart", with a long, sweeping horizontal line extending to the right.

Phillip M. Earhart  
HSD Examiner

Enclosures



# State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

09/14/2014 10:50:17

## LETTER OF INTENT

The Publication of Intent is to be published in the Chattanooga Times Free Press which is a newspaper  
(Name of Newspaper)  
of general circulation in Hamilton, Tennessee, on or before October 10, 2014,  
(County) (Month / day) (Year)  
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Life Care Centers of America, Inc., d/b/a Life Care Center of East Ridge Nursing Home  
(Name of Applicant) (Facility Type-Existing)

Owned by: and operated by Life Care Centers of America, Inc., with an ownership type of corporation

and to be managed by: N/A intends to file an application for a Certificate of Need

for: Life Care Center of East Ridge, operated by Life Care Centers of America, Inc., a Tennessee corporation (the "applicant") intends to file an application for a Certificate of Need for the replacement of its current facility located at 1500 Fincher Avenue, East Ridge, Tennessee. The replacement facility will allow for the construction of a new nursing home facility to replace the existing forty year old building and will be located to the east of the existing facility upon an unaddressed site adjacent to the current site at 1500 Fincher Avenue, Hamilton County, East Ridge, Tennessee. The approximate project cost of the replacement will be \$24,874,400.00. The new facility will reduce the number of beds from 130 beds to 108 beds. No other services will be initiated or discontinued, and no major medical equipment will be requested.

The anticipated date of filing the application is: October 15, 2014.

The contact person for this project is Cindy S. Cross Assistant Secretary  
(Contact Name) (Title)

who may be reached at: Life Care Centers of America, Inc., 3570 Keith Street, NW  
(Company Name) (Address)

Cleveland TN 37312 423/473-5867  
(City) (State) (Zip Code) (Area Code / Phone Number)

Life Care Centers of America, Inc.  
By: Cindy S. Cross 10/8/14 Cindy\_Cross@lcca.com  
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# **ORIGINAL- SUPPLEMENTAL-1**

**Life Care Center of East Ridge  
CN1410-044**

October 24, 2014  
2:56pm

**LIFE CARE CENTERS OF AMERICA  
dba LIFE CARE CENTER  
OF EAST RIDGE**

***SUPPLEMENTAL INFORMATION***

**CERTIFICATE OF NEED  
APPLICATION CN1410-044  
OCTOBER 23, 2014**

October 24, 2014  
2:56pm

1. **Section A. 6 (Site Control) - The draft facility lease agreement is noted. The Agency will need a fully executed (signed by both parties) lease agreement, or a fully executed (signed by both parties) option to lease which demonstrates the applicant has a legitimate legal interest in the property on which it intends to locate the project. A fully executed (signed by both parties) Option to Lease must at least include the expected term of the lease and the anticipated lease payments.**

Response: See Attachment 1

2. **Section A. 11 (Medicaid Provider Number) - Since the applicant's bed complement chart indicates that the 108 beds will be Medicare-certified only, please explain how the applicant expects to obtain a Medicaid Provider Number. Additionally, according to a TennCare representative in response from an inquiry by Melanie Hill, HSDA Executive Director, nursing homes are explicitly prohibited from serving a subset of Medicaid applicants and if they participate in the Medicaid program, must serve all Medicaid residents, regardless of level of reimbursement. Please explain how the applicant expects to be Medicaid certified for Level II only.**

Response: The Centers for Medicare and Medicaid Services (CMS) requires State Medicaid programs to establish a mechanism for non-Medicaid providers to bill the Medicaid program for Medicare coinsurance (crossover claims) incurred by a Medicare patient who has Medicaid coverage (dully eligible beneficiary). The purpose of the Medicaid provider number is to provide the facility the means to bill for Medicare coinsurance. Attachment 2 is a bulletin from CMS which outlines State Medicaid agencies obligation to reimburse for these crossover patients.

The only mechanism Tennessee Medicaid has to process crossover claims for dually eligible beneficiaries is the Medicaid II provider number. The facility is willing to become a Level II Medicaid provider to avoid the State Medicaid program from having to develop an alternative claims process mechanism to meet CMS' requirement to process crossover claims. The facility is aware it must accept Medicaid beneficiaries who qualify for the Medicaid Level II service; however, there are very few, if any, beneficiaries who meet the Medicaid Level II care criteria where Medicaid is the primary payor. The facility's preference is that the State Medicaid program meet the Federal government's requirement to provide a claims processing mechanism for crossover claims for non-Medicaid providers. Life Care Center of Hixson and Life Care Center of Ooltewah are also Medicaid Level II providers only.

3. **Section A. 13 (TennCare Participation) - Please explain why the applicant intends to be Medicaid certified but not treat TennCare patients.**



Response: Because CMS requires State Medicaid programs to reimburse non-Medicaid providers for the copayments and deductibles for these crossover Level II patients.

October 24, 2014  
2:56pm

**4. Section B, Project Description, Item I - The applicant has requested three years to complete the proposed project. Please provide the reasons for the additional year being requested.**

Response: It is difficult to complete all of the construction documents, receive regulatory approvals, construct the facility, and receive licensure inspections within two years.

Life Centers of America has recently completed five new facilities in Tennessee. All of these projects required over two years to complete and 36 months was requested and approved for all of these projects. These projects are Life Care Center of Missionary Ridge (CN0904-016), Life Care Center of Hickory Woods (CN0906-029), Life Care Center Old Hickory Village (CN0908-030), Life Care Center of Rhea County (CN1101-004), and Colonial Hills Nursing Center (CN1208-039).

**If the current facility is to close during construction, please clarify how the applicant intends to retain its licensure status until the opening of the new facility.**

Response: If a Certificate of Need is granted, it will no longer be necessary to maintain the existing license.

**Please discuss in detail the transition process of the nursing home residents from the current nursing home to the proposed nursing home.**

Response: Currently approximately 82 percent of the patients are Level II (SNF) patients which have an average length of stay of approximately 34 days. Approximately 45 days before the scheduled date of closing the facility, admissions of Level (SNF) patient will be discontinued. Therefore, most of the Level II (SNF) of the patients will be discharged before the facility closes. The remaining of these patients will be transferred to another facility.

There are approximately 18 Level I (SNF) patients in the facility. Approximately 45 days before the scheduled closing date, admissions of Level I (NF) patients will be

discontinued. The patients in the facility will be encouraged to transfer to Life Care Center of Collegedale. The charge structure at Life Care Center of Collegedale is very similar to that at Life Care Center of East Ridge and is located only 11 miles from the current facility.

October 24, 2014  
2:56pm

**If the proposed facility does not overlap the site of the current facility, please explain how the land located under and around the existing facility will be utilized after demolition of the current facility.**

Response: The total acreage of this site provides the opportunity for future expansion that could include an assisted living facility and a retirement facility.

**Did the applicant consider designing the facility in a manner consistent with the Greenhouse concept/Eden alternative? Please explain.**

Response: The design of this facility does incorporate several Green House Project concepts. Each resident room has a private bathroom with a shower, and the shared common areas such as the three dayrooms and the library are all always open for resident use. This allows freedom from scheduling. The facility has a warm inviting décor and multiple common rooms and outdoor spaces for the resident to enjoy. There is wireless internet available throughout the facility plus a large channel lineup on the provided TV service and a direct dial phone line to each room. The nurse call systems use pagers and the corridors are carpeted to reduce the noise levels. The windows into each room are 60% larger than required by code to provide plenty of sunlight into the resident's room. In addition there are three exterior courtyards plus walking paths, a putting green, and beautiful landscaping to encourage time outdoors.

**Can the dining area seat 108 residents in one sitting? Please explain.**

Response: The dining room will seat 87. The assisted dining room seats 12. The dayrooms have seating for 24 (8 each). This totals 123. In room meals can be ordered from a restaurant style menu at any time.

**The applicant reports the current facility only has 4 private rooms. However, the 2012 Joint Annual Report for the applicant reports 13 private rooms. Please clarify.**

Response: The facility was built with 3 private rooms. Because of the demand for private rooms, nine semi-private rooms were converted to private rooms.

- 5. Section B, Project Description, Item II.A. - The codes letter in the attachment is noted. However, please clarify if the newly constructed nursing home will be fully sprinkled.** October 24, 2014  
2:56pm

Response: Yes, the building will be fully sprinkled.

- 6. Section C. Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (2) (a.) - Your response to this item is noted. Please compare the cost of the renovation project to the cost of the replacement projects in cost per bed terms.**

Response: The renovation cost per bed is higher than the new construction as proposed in this application.

	Beds	Construction Cost	Cost per Bed
New Construction	108	\$14,837,000	\$137,352
Renovation	118	\$16,292,080	\$138,068

- 7. Section C. Need, Item 2 - The long range goals of the applicant are noted. Please clarify if the proposed facility is designed in a manner to expand in the future.**

Response: Should future expansion of this facility be desired by the ownership, the facility is designed to permit expansion, and the site is large enough for a building addition.

- 8. Section C. Need, Item 6 - Table 7 on page 25 is noted. However, please clarify why the applicant reduced licensed beds from 160 to 130 from the year 2011 to 2012.**

Response: A certificate of need application (CN0806-038) was filed to relocate Life Care Center of Missionary Ridge to new site in Hixson, and increase the licensed beds from 78 to 108, with the additional 30 beds being moved from Life Care Center of East Ridge. Because there were only 21 beds in the bed pool, only 21 additional beds were approved. A second application (CN0904-016) was filed and approved to transfer the remaining 9 beds from Life Care Center of East Ridge to Life Care Center of Missionary Ridge. The decision to move the beds to the new site was made in order to utilize these beds at higher rate.

**The average daily census of 100.8 in 2011 and 71.9 in 2014 is noted. Why did the average daily census drop 40% during this time period?**

Response: From 2009 to 2011, Life Care Center of Collegedale had beds closed during a renovation of the facility. After the renovation was completed in 2011, a

portion of the referrals that were going to Life Care Center of East Ridge shifted back to Life Care Center of Collegedale.

**October 24, 2014  
2:56pm**

**What year does the applicant expect to reach 90% for the new proposed 108 bed facility?**

Response: The applicant is expecting an occupancy rate of 90 percent during its third year of operation.

**9. Section C, Economic Feasibility, Item 1 (Project Cost Chart) - What is included in the \$1,800,000 Preparation of Site cost?**

**Response:** Beyond the typical site work costs of storm water and other site utility work, this site will require significant fill to be imported to raise the finish floor level 4-6 feet above 100 year flood level. A screen wall is being built along the exit ramp onto the interstate. Other items include a new traffic signal, road work to create a new entrance to the site, and demolition of the existing facility.

**The Preparation of Site Cost is \$1,800,000 in the Project Costs Chart and \$1,500,000 in the letter from the Architect outlining the estimated construction costs, a difference of \$300,000. Please clarify.**

Response: The \$1,800,000 is correct. The \$1,500,000 is a typographical error.

A revised letter from the architect is present in Attachment 9.

**10. Section C, Economic Feasibility, Item 2 - Please submit a revised letter from the Bank of Texas which indicates the proposed loan amount.**

Response: See Attachment 10

**11. Section C, Economic Feasibility, Item 3 - Your response pertaining to the construction cost per square foot is noted. HSDA construction costs are noted in the table provided below from the "Applicant's Toolbox" on the HSDA website. Please clarify the reason the applicant's construction cost per square foot of \$185.00 is above the 3<sup>rd</sup> quartile for new construction.**

**Nursing Home Construction Cost Per Square Foot**

**Years: 2011 – 2013**

	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
<b>1<sup>st</sup> Quartile</b>	<b>\$25.00/sq ft</b>	<b>\$152.80/sq ft</b>	<b>\$94.55/sq ft</b>
<b>Median</b>	<b>\$55.00/sq ft</b>	<b>\$167.31/sq ft</b>	<b>\$152.80/sq ft</b>

**3<sup>rd</sup> Quartile****\$101.00/sq ft****\$176.00/sq ft****SUPPLEMENTAL- 1**  
**\$167.61/sq ft***Source: CON approved applications for years 2011 through 2013***October 24, 2014**  
**2:56pm**

Response: As shown in this table, the estimated construction cost of \$185 per square foot is reasonable compared to other facilities recently build in Tennessee by Life Care Centers of America. The proposed facility will be state-of-the-art with all private rooms and is similar to the Ooltewah facility. Having all private rooms increases the number of bathrooms in patient rooms which increases construction costs. The HSDA new construction cost data base contains some projects from 2011. Some of this data is approximately three years old and construction cost has increased during this time. In summary, we feel the estimated construction cost of \$185 is reasonable when compared with similar projects.

Facility	Year Open	Sq Ft	Cost	Cost/sq ft
Life Care Center of Hixson	January-11	75,656	\$12,479,475	\$165
Life Care Center of Hickory Woods	October-11	79,338	\$13,893,821	\$175
Life Care Center of Old Hickory Village	May-12	78,864	\$14,335,503	\$182
Life Care Center of Rhea County	March-13	66,240	\$11,079,408	\$167
Life Care Center of Ooltewah	February-13	75,562	\$14,264,609	\$189
Life Care Center of Blount County	Under construction	79,000	\$13,904,000	\$176

Note: Life Care Center of Blount County is under construction and the updated estimated cost is \$176 per square foot.

- 12. Section C, Economic Feasibility, Item 4 (Historical Data Chart) - There appears to be errors in the Total Operating Expenses columns for the years 2011-2013. Also, the applicant incorrectly refers to page 31 in line D.9. Please make the necessary corrections and submit a revised Historical Data Chart.**

Response: See Attachment 12

- 13. Section C, Economic Feasibility, Item 4 (Projected Data Chart) - The Projected Data Chart is noted. The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised Projected Data Chart provided at the end of this request for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.**

**October 24, 2014  
2:56pm**

- 14. Section C, Economic Feasibility, Item 5 - The average gross charge, average deduction from operating revenue and the average net charge per patient day are noted. However, there appears to be calculation errors in year 2. Please revise.**

Response: The revised average gross charge, average deduction, and the average net charge per patient day is presented as follows:

	Year 1	Year 2
Average Gross Charge	\$500.64	\$532.79
Average Deduction	\$59.03	\$103.26
Average Net Charge	\$441.61	\$429.53

- 15. Section C, Economic Feasibility, Item 8 - The loss of \$2.4 million dollars in Year One of the proposed project is noted. In Year 3 of the proposed project, the applicant will begin the year with a combined net loss of \$2,280,975 from Year 1 and Year 2 of the project. When does the applicant expect to break even with this project? Also, please demonstrate the availability of cash for continued operations while operating with net losses.**

Response: The new facility is projected to have a positive cash flow in the 17th month of operation, including management fees. A letter from DeCosimo, PLLC, the firm's CPA stating funds are available for the startup of this facility is presented in Attachment 17.

- 16. Section C. (Economic Feasibility) Item 9. - Please complete the following chart for the first year of operation**

Payor	Gross Revenue	% of Total Revenues
Medicare	\$4,814,872	70%
Medicaid/TennCare	\$ 0	0%
Commercial insurance	\$1,468,014	21%
Self-Pay	\$ 574,364	8%
Other Misc. (Beauty/Barber, etc.)	\$ 5,000	1%
Total	\$6,862,250	100%

- 17. Section C, Economic Feasibility, Item 10 - Please provide the most recent audited financial statements for Life Care Centers of America, Inc. with accompanying notes, if available.**

Response: As previously discussed in the application, Life Care is a privately held company, and is not required by law to make its financial statements public. The



information in our financial statement is confidential and sensitive in a number of areas. A letter from DeCosimo and Company, PLLC, indicating the applicant has the funds available for annual debt service required for this project, is present in Attachment 17.

October 24, 2014  
2:56pm

**Please complete the following table for Life Care Centers of America, Inc.'s capital projects for the past five years.**

### HISTORICAL 5-YEAR CAPITAL PROJECTS CHART FOR LIFE CARE

Facility	State	Total Project Costs	Date of Completion
Cape Girardeau SNF	MO	\$20,301,930.12	12/19/2013
Hickory Woods SNF	TN	\$23,575,573.98	12/13/2011
Hixson SNF	TN	\$18,827,656.05	12/16/2010
Old Hickory SNF	TN	\$23,526,304.47	4/4/2012
Ooltewah SNF	TN	\$24,955,534.92	12/5/2012
Rhea County SNF	TN	\$21,900,675.96	1/23/2013
Stonegate SNF	CO	\$24,573,283.05	5/8/2012

- 18. Section C, Economic Feasibility, Item 11.a and 11.b. - The alternatives to this project are noted. However, it appears the 2012 Occupancy Rates of the 4 Life Care Nursing Homes in Hamilton County ranged from 71.5% to 84.5%. In addition, the applicant plans to transition the existing patients of Life Care of East Ridge to Life Care Center of Collegedale (licensed occupancy 71.5% in 2012), and will not be providing care to any Hamilton County nursing home patients for almost 3 years. With this in mind has the applicant considered as an alternative not rebuilding and closing Life Care of East Ridge?**

Response: During 2012, the four Life Care Centers of America facilities had an average occupancy rate of 78 percent. The applicant proposes to close 22 beds. If these beds were closed in 2012, the average occupancy rate of these four facilities would have been 82%. In 2012, 51 percent of the patients in these four facilities were Level II (SNF) patients. These patients have a short length of stay (approximately 30 days). Because of this short length of stay, these facilities cannot operate at a high occupancy rate as nursing homes treat primarily Level I patients.

During 2012, the 11 nursing homes in Hamilton County reported an average occupancy rate of 85 percent. If East Ridge had not been open, this occupancy rate

would have been 92 percent. There is an outstanding CON for 25 beds. If these beds were open the utilization would have been 91 percent.

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The over 60 years of age population in Hamilton County is rapidly increasing. Between 2012 and 2017, this population is expected to increase from 74,915 to 84,904 (being a 13.3 percent increase). The bed need methodology shows a need for 895 additional nursing home beds in Hamilton County in 2016.

Life Care Center of East Ridge is needed and the need will grow in the future. Closing the facility would be contrary to the best interests of the community.

**19. Section C. Orderly Development, Item 2 -The applicant states Level 1 patients will be encouraged to transfer to Life Care Center of Collegedale. What is the current capacity and occupancy at the Life Care Center of Collegedale?**

Response: Life Care Center of Collegedale contains 124 licensed beds. The census today shows 95 patients. Year-to-date in 2014, Life Care Center of East Ridge had an average census of 18.5 Level I (NF) patients. Beds will be available for the patients to be transferred from Life Care Center of East Ridge to the Collegedale facility.

**20. Section C. Contribution to the Orderly of Health Care, Item 3 -Please clarify of the 18 physical therapists and 12 occupational therapists include aides and assistants. If so, please break-out the totals.**

Response: The 18 physical therapists include 8 registered physical therapists and 10 physician therapy aides. The 12 occupational therapists include 5 registered occupational therapists and 7 occupational therapists.

**Please clarify why Social Workers and Recreational Therapists were not included in the anticipated staffing pattern.**

Response: The staffing includes 2 social workers and 1 recreational therapists. They included in the total staffing, but omitted from the clinical staffing.

**Please clarify why the applicant needs more staff for a smaller facility.**

Response: The average daily census is expected to increase in the new facility. The average daily census year to date is 55.3 and is expected to increase to 71.1 in the second year of operation. The current staffing is 106 FTEs and is expected to increase



to 120 FTEs, during the second year of operation. Current staffing is 1.92 FTEs per patient day (106 FTEs/55.3) and is expected to decrease to 1.69 FTEs per patient day (120 FTEs/71.1) or a decrease of 12 percent.

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- 21. Section C. Contribution to the Orderly of Health Care, Item 7.b -Please clarify if there has been any Joint Commission surveys conducted since May 2012. If so, please provide a copy.**

Response:

No. Joint Commission surveys are only performed every three years.

- 22. Project Completion Forecast Chart - It appears the applicant incorrectly anticipated the commencement of the building construction in January 2015. Please revise and resubmit a Project Completion Forecast Chart.**

Response: See Attachment 22

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**ATTACHMENT 1  
EXECUTED LEASE OPTION**

**October 24, 2014  
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**LEASE OPTION**

THIS LEASE OPTION ("Lease") is entered into as of the 23<sup>rd</sup> day of October, 2014, by and between **EAST RIDGE MEDICAL INVESTORS, LLC**, a Tennessee limited liability company, **EAST RIDGE RETIREMENT INVESTORS, LLC**, a Tennessee limited liability company, **FINCHER REAL ESTATE INVESTORS, LLC**, a Tennessee limited liability company (collectively, hereinafter referred to as "Lessor"), and **LIFE CARE CENTERS OF AMERICA, INC.**, a Tennessee corporation (hereinafter referred to as "Lessee"), and is made with reference to the following facts:

A. Lessor is the owner of certain improved real property located in Hamilton County, Tennessee which is described with more particularity on Exhibit "A" attached hereto and incorporated by reference (the "Premises").

B. Lessee desires to lease the Premises, in connection with the construction of a new skilled nursing facility.

C. Lessor is willing to lease said Premises to Lessee for the purposes and on the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the mutual covenants herein contained, **IT IS AGREED AS FOLLOWS:**

1. **LEASED PREMISES.**

Lessor does hereby offer to lease to Lessee and Lessee does hereby offer to rent and take from Lessor the Premises upon the terms and conditions as hereinafter set forth.

2. **PROPERTY AND TITLE ACCEPTANCE.**

Lessor warrants that it holds good and marketable title to the Premises. Lessee accepts the Property in the condition in which it now is, without representation or warranty, express or implied, in fact or by law, by Lessor.

3. **TERM.**

A. The term of this Lease shall be for a period of ten (10) years, commencing on the date Lessor has received a Certificate of Occupancy.

B. Provided it is not in material default hereunder, Lessee shall have the option to extend the Lease two times. Each option period will be for a term of five (5) years. In the event the Lessee shall exercise both options, the total extended Lease term shall then be for twenty (20) years. Such

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option will be deemed to have been automatically exercised unless the Lessee notifies the Lessor in writing to the contrary at least sixty (60) days before the end of the applicable Lease period.

4. RENT.

A. During the initial ten (10) year term of this Lease, Lessee shall pay Lessor rent in equal monthly installments in the amount of Eighty-four Thousand, Three Hundred Thirty-Three and 33/100 Dollars (\$84,333.33). The rent shall be payable on the first day of each month during the term of this Lease commencing on the completion of the construction of the Premises and once the Lessor has received a Certificate of Occupancy. If the Certificate of Occupancy is received on a day other than the first day of the month, the rent shall be payable on the first day of the month immediately following the receipt of the Certificate of Occupancy; provided, that rent for the partial month shall be prorated and payable with the first full installment of the monthly rental. All rent payable under this Lease shall be payable in advance, without abatement, demand, or offset. All rent shall be paid to Lessor at Lessor's address specified herein or at such other place as Lessor may designate from time to time by written notice to Lessee given as provided below.

B. If the lease term is extended beyond the initial ten (10) year term, the annual rental shall be increased for each year of an option term by an amount equal to two and one-half percent (2.5%) of the rental hereunder during the immediately preceding twelve (12) month period.

C. If Lessor has not received any installment of rent by the tenth (10th) day of the month in which it is due, such installment shall be delinquent and Lessee will incur a late charge equal to five percent (5%) of the delinquent amount. Such delinquent installment shall also bear interest at the rate of ten percent (10%) per annum from and after the expiration of any cure period granted hereunder to Lessee.

5. NOTICES.

A. All notices, requests, demands, consents, approvals, statements, and/or other writings (referred to hereinafter in this paragraph as "Notices") required or permitted to be given under this Lease shall be given in writing by registered or certified United States mail, postage prepaid, return receipt requested, and addressed to the party to whom the same is to be given or made at its address for Notices as determined under this paragraph. The Notice shall be deemed given and served forty-eight (48) hours after the deposit of the same in the United States mail except that a notice of change of address for service of Notices shall not be deemed given or served until received by the other party.

B. Either party may, at any time and from time to time, change his address for Notices by written Notice to the other party. Until any such change, the address for Notices to the parties shall be as follows:

(1) If intended for Lessee, the Notice shall be addressed to:

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**East Ridge Medical Investors, LLC, etals**  
c/o Life Care Centers of America, Inc.  
3570 Keith Street NW  
Cleveland, TN 37311  
Attention: Forrest L. Preston

With a copy to:

General Counsel  
c/o Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312

- (2) If intended for Lessor, the Notice shall be addressed to:

Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312  
Attention: Forrest L. Preston

With a copy to:

General Counsel  
c/o Life Care Centers of America, Inc.  
3570 Keith Street, N.W.  
Cleveland, Tennessee 37312

C. Wherever this Lease permits any Notice to be given to either Lessor or Lessee by a third party, the same may be given and served in accordance with the provisions of this paragraph.

6. SUCCESSORS.

Subject to the provisions of this Lease on assignment and subletting and except wherever a contrary intention in clearly expressed herein, each and all of the covenants, conditions and provisions of this Lease shall be binding on and shall inure to the benefit of the assigns, successors, heirs, executors, administrators, and personal representatives of the respective parties hereto.

**(signature page follows)**

**October 24, 2014  
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**IN WITNESS WHEREOF**, Lessor and Lessee have executed this Lease at Bradley County, Tennessee on the date set forth in the introduction of this Lease.

**LESSORS:**

**Witness/Attest:**



**EAST RIDGE MEDICAL INVESTORS, LLC, a  
Tennessee limited liability company**

By: Life Care Centers of America, Inc.  
Corporate Manager

By:   
Cindy S. Cross, Assistant Secretary

**Witness/Attest:**



**EAST RIDGE RETIREMENT INVESTORS,  
LLC, a Tennessee limited liability company**

By: Developers Investment Company, Inc.  
Corporate Manager

By:   
Joan E. Thurmond, Assistant Secretary

**Witness/Attest:**



**FINCHER REAL ESTATE INVESTORS, LLC, a  
Tennessee limited liability company**

By: Life Care Centers of America, Inc.,  
Corporate Manager

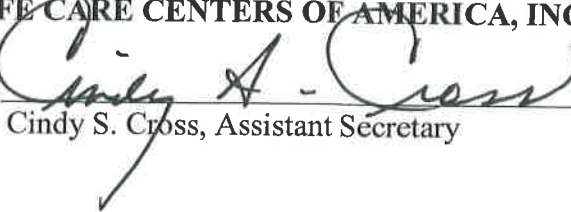
By:   
Cindy S. Cross, Assistant Secretary

**LESSEE:**

**Witness/Attest:**



**LIFE CARE CENTERS OF AMERICA, INC.**

By:   
Cindy S. Cross, Assistant Secretary

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**EXHIBIT "A"**

Legal Description of the Premises

Those parcels of property located as follows:

6614 Ringgold Road, East Ridge, TN  
6600 Ringgold Road, East Ridge, TN  
6616 Ringgold Road, East Ridge, TN  
1500 Fincher Avenue, East Ridge, TN  
1511 Fincher Avenue, East Ridge, TN  
1515 Fincher Avenue, East Ridge, TN  
1517 Fincher Avenue, East Ridge, TN  
1519 Fincher Avenue, East Ridge, TN  
1521 Fincher Avenue, East Ridge, TN  
1523 Fincher Avenue, East Ridge, TN  
1525 Fincher Avenue, East Ridge, TN

ALONG WITH two (2) parcels commonly referred to as TDOT Parcel I and TDOT Parcel II.

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**ATTACHMENT 2  
CMS BULLETIN**



**October 24, 2014  
2:56pm**

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



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**CMCS – MMCO – CM Informational Bulletin**

**Date:** June 7, 2013

**From:** Cindy Mann, Director  
Center for Medicaid & CHIP Services (CMCS)

Melanie Bella, Director  
Medicare-Medicaid Coordination Office (MMCO)

Jonathan Blum, Director  
Center for Medicare (CM)

**Subject: Payment of Medicare Cost Sharing for Qualified Medicare Beneficiaries (QMBs)**

This Informational Bulletin provides information for state Medicaid agencies and other interested parties regarding the treatment of claims for Medicare cost sharing for Qualified Medicare Beneficiaries (QMBs). The Bulletin also reminds states of the statutory requirement to process Medicare cost-sharing claims for QMBs from Medicare-certified providers, and to be able to document proper processing of such claims. This Informational Bulletin is provided as a companion to communications on this topic to Medicare providers in the form of a Medicare Learning Network Matters article, and a CMCS Informational Bulletin published in 2012, which are available at: <http://www.cms.gov/MLNMArticles/Downloads/SE1128.pdf>; and <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/CIB-01-06-12.pdf>.

State Medicaid agencies have a legal obligation to reimburse providers for any Medicare cost sharing that is due for QMBs according to the state's CMS-approved Medicare cost-sharing payment methodology. State Medicaid Management Information Systems (MMIS) must process all Medicare "crossover" claims (claims that include primary payment from Medicare) for QMBs, including Medicare-adjusted claims that are submitted by Medicaid-enrolled providers, even if a service or provider category is not currently recognized in the Medicaid State Plan. States must furnish all Medicare-enrolled providers, including out-of-state providers, with a means by which they can enroll in the Medicaid program for purposes of having such claims processed.

*Statutory Authority for Payment of QMB Cost-Sharing Amounts*

Section 1902(a)(10)(E) of the Social Security Act (*hereinafter* "the Act") directs state Medicaid agencies to reimburse providers for QMB cost-sharing amounts [as defined in §1905(p)(3)], "without regard to whether the costs incurred were for items and services for which medical

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*assistance is otherwise available under the plan.” (emphasis added).* Section 1902(n)(2) of the Act does permit the state to limit payment for QMB cost sharing to the amount necessary to provide a total payment to the provider (including Medicare, Medicaid, required nominal Medicaid copayments, and third party payments) equal to the amount a state would have paid for the service under the State Plan. When the crossover claim is for Medicare-covered services that are not included in the Medicaid State Plan, the state is still liable to pay the crossover claim, but may establish reasonable payment limits, approved by CMS, for the service.

The actual crossover payment made to a provider by Medicaid (plus the QMB’s personal liability for any nominal copayments under Medicaid, if applicable) is considered payment-in-full for Medicare deductibles and coinsurance.

#### *Impermissible Balance Billing of QMBs*

Providers are strictly prohibited under §1902(n)(3) of the Act from seeking to collect any additional amount from a QMB for Medicare deductibles or coinsurance (other than nominal Medicaid copayments, as mentioned above), even if the Medicaid program’s payment is less than the total amount of the Medicare deductibles and coinsurance.

#### *Possible Causes of Impermissible Balance Billing of QMBs*

CMS believes that some instances of impermissible balance billing of beneficiaries occur when Medicare-certified providers are unable to obtain reimbursement or an 835 Health Care Payment and Remittance Advice (RA) for QMB cost-sharing claims from the state Medicaid program.

Repeated reports of QMB crossover claims not being processed in state MMIS systems prompt us to remind states of their claim processing obligations under federal law. We are aware of situations typically occurring when:

- the Medicare-certified provider submitting the claim is not enrolled with the state Medicaid agency; or
- the MMIS does not recognize the provider identifier; or
- the service is covered by Medicare, but not included in the Medicaid State Plan; or
- the provider type is recognized by Medicare, but not by the state Medicaid program; or
- the service is provided by an out-of-state provider.

For each of the situations listed above, CMS has received reports that Medicare-certified providers may not be receiving adjudication of their claim for Medicaid liability, or may not be receiving subsequent notification through the standard RA, as required under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). There may be isolated instances of a state MMIS rejecting a QMB crossover claim because the individual provider has been suspended from participation in the Medicaid program, but continues as a Medicare-certified provider. Even in this circumstance, the state is required to permit the provider to enroll for the

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limited purpose of obtaining adjudication of the QMB cost-sharing amount.

*State Medicaid Programs' Claims Processing Obligations*

All states maintaining a federally-certified MMIS funded under §1903(a)(3) of the Act are required—as an express condition of receiving enhanced federal matching funds for the design, development, installation and administration of their MMIS systems—to process Medicare crossover claims, including QMB cost sharing, for adjudication of Medicaid cost-sharing amounts, including deductibles and coinsurance for Medicare services, and to furnish the provider with an RA that explains the state's liability or lack thereof.

Specifically, §1903(a)(3)(A)(i) of the Act requires MMIS systems to demonstrate full compatibility with the claims processing and information retrieval systems utilized in administration of the Medicare program. Instructions contained in CMS's State Medicaid Manual (SMM), Part 11, §11325 reinforce the requirement of the MMIS system to (1) record Medicare deductibles and coinsurance paid by the Medicaid program on crossover claims, (2) provide a prompt response to all inquiries regarding the status of the crossover claim, and (3) issue remittance statements to providers detailing claims and services covered by a given payment at the same time as payment, including remittance statements for zero payment amounts. The state must be able to document that it has properly processed all claims for cost-sharing liability from Medicare-certified providers to demonstrate compliance with §§1902(a)(10)(E) and 1902(n)(1) & (2) of the Act.

*Services Not Covered by the Medicaid State Plan*

As noted earlier in this Informational Bulletin, a Medicaid agency's obligation to adjudicate and reimburse providers for QMB cost sharing exists even if the service or item is not covered by Medicaid, irrespective of whether the provider type is recognized in the State Plan and whether or not the QMB is eligible for coverage of Medicaid state plan services. For Full Benefit Dual Eligibles who are not eligible as QMBs, a state may elect to limit coverage of Medicare cost sharing to only those services also covered in the Medicaid State Plan.

*Provider Enrollment*

The state may require Medicare-certified providers to execute a Medicaid provider agreement and enroll in the state's Medicaid program in order to submit claims for reimbursement of QMB cost sharing, but the state should have a mechanism to ensure that providers who enroll only for that purpose are not included in lists of providers available to other beneficiaries. Alternately, a state may utilize a simplified, limited-purpose enrollment process for Medicare providers seeking to enroll in Medicaid for the sole purpose of claiming Medicare cost-sharing reimbursement while in compliance with the provider screening and enrollment requirements included in the CMCS Informational Bulletin issued December 23, 2011 (<http://www.medicaid.gov/Federal-Policy-Guidance/downloads/CIB-12-23-11.pdf>). As noted above, however, regardless of the specific enrollment mechanism chosen, states must enable all Medicare-enrolled providers, including those who are out-of-state, some mechanism by which they can get the state to process their Medicare crossover claims, including claims for QMB cost sharing.

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*Summary*

Therefore, in circumstances where a provider has submitted a claim to Medicaid for processing in accordance with the timely filing provisions of 42 CFR §424.44; and the provider has executed the necessary provider agreement according to a state's procedures for provider enrollment, the state *must* process the claim in accordance with the timely claims processing provisions of 42 CFR §447.45 and must issue the provider an RA for those claims as required by the SMM.

*CMS Technical Assistance Is Available*

CMS will provide technical assistance to states in:

- understanding state Medicaid agency liability for Medicare cost sharing;
- modifying or enhancing the MMIS to permit proper processing of QMB crossover claims; and
- enrolling providers for the limited purpose of processing Medicare cost-sharing crossover information, or developing alternative methods to identify these Medicare providers in the MMIS.

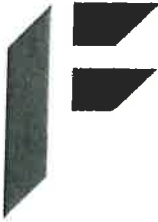
States should contact the CMS Regional Office to request technical assistance.

For further information concerning state Medicaid agency liability for Medicare cost sharing, please contact Nancy Dieter, Technical Director for Coordination of Benefits and Third Party Liability, Division of Integrated Health Systems, at 410-786-7219 or [Nancy.Dieter@cms.hhs.gov](mailto:Nancy.Dieter@cms.hhs.gov). For further information concerning MMIS requirements, please contact your CMS Regional Office or George Patterson, Health Insurance Specialist, Division of State Systems, at 410-786-4609 or [George.Patterson@cms.hhs.gov](mailto:George.Patterson@cms.hhs.gov).

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**ATTACHMENT 9  
REVISED CONSTRUCTION LETTER**

**October 24, 2014  
2:56pm**



Franklin Associates, Architects, Inc.

142 N Market St . PO Box 4048 . Chattanooga . TN 37405

423.266.1207

October 20, 2014

Ms. Linda Cross  
Life Care Centers of America  
3001 Keith Street, NW  
Cleveland, TN 37312

Re: Life Care Centers of America -  
108-Bed Skilled Nursing Facility  
East Ridge, TN for  
East Ridge Medical Investors, LLC

Dear Ms. Cross:

We have reviewed the project Square Footage and Cost per Square Footage Chart that has been prepared for the CON to the State of Tennessee for the proposed skilled nursing facility located off McDonald Road in East Ridge, TN. Based on the information shown in this form, and historical budgeting information, we estimate the project cost to be \$17,877,000. This figure is based on the following line items:

a. A/E fees:	\$740,000
b. Site Preparation cost:	\$1,800,000
c. Building Construction cost:	\$14,837,000
d. Contingency fund:	\$500,000

To the best of my knowledge and belief, the facility will meet the 2010 AIA standards as noted in the Guideline for Design & Construction of Health Care Facilities and all applicable local, state and federal standards.

Sincerely,

Wyatt Leonard, AIA  
Architect

**October 24, 2014  
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**ATTACHMENT 10  
REVISED BANK LETTER**



October 24, 2014  
2:56pmBianca Andujo  
Bank of Texas  
5956 Sherry Lane # 700  
Dallas, TX 75209

October 2, 2014

Life Care Centers of America, Inc.  
Forrest L. Preston  
3570 Keith Street, NW  
Cleveland, Tennessee 37312

RE: Life Care Center of East Ridge

Dear Forrest:

We are excited to discuss the opportunity to finance the replacement of your facility in East Ridge, Tennessee. This sounds like an exciting project that will clearly serve the East Ridge area well by delivering the care and services that today's seniors need and desire. As you are aware, Bank of Texas has successfully worked with you and your companies over the past several years and has provided you with financing for multiple projects.

Subject to your adhering to our applicable underwriting criteria, we are interested to work with you on the replacement of Life Care Center of East Ridge. Based on our typical loan parameters, we anticipate that the project can support a loan sufficient to fund up to 100% of the costs which you anticipate to be \$24,874,400. The interest rate would be established at closing, but would be approximately 4% if we closed today. The loan term would be 5 years with interest only during construction and lease-up. I know you are aware of our construction financing process and our capabilities based on our previous successful experiences with one another.

Bank of Texas looks forward to reviewing your loan proposal once you have obtained the necessary Certificate of Need from the State.

Sincerely,

A handwritten signature in cursive script that reads "Bianca Andujo".

Bianca Andujo  
Sr. Vice President



**October 24, 2014  
2:56pm**

**ATTACHMENT 12  
REVISED HISTORICAL DATA CHART**

## HISTORICAL DATA CHART (REVISED)

October 24, 2014

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in Jan (Month). 2:56pm

		2011	2012	2013
A.	Utilization Data (Total Patient Days)	36,865	33,959	30,053
B.	Revenue from Services to Patients			
	1. Inpatient Services	15,251,547	14,367,222	13,281,983
	2. Outpatient Services	243,468	223,348	410,664
	3. Emergency Services			
	2. Other Operating Revenue	27,362	35,501	35,942
	<b>GROSS OPERATING REVENUE</b>	15,522,377	14,626,071	13,728,589
C.	Deductions form Operating Revenue			
	1. Contractual Adjustments	<499,760>	1,428,282	1,890,043
	2. Provision for Charity Care			
	3. Provision for Bad Debt	525,236	379,133	457,262
	<b>Total Deductions</b>	25,476	1,807,415	2,347,305
	<b>NET OPERATING REVENUE</b>	15,496,901	12,818,656	11,381,284
D.	Operating Expenses			
	1. Salaries and Wages (Includes Benefits)	7,821,515	7,256,638	6,214,395
	2. Physician's Salaries and Wages			
	3. Supplies	2,173,063	1,947,514	1,682,827
	4. Taxes	105,340	104,560	106,144
	5. Depreciation	20,701	1,731	333
	6. Rent	665,586	665,097	618,904
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates	774,845	640,932	571,103
	b. Fees to Non-Affiliate			
	9. Other Expenses See Page 32 *	2,643,479	2,370,861	2,179,588
	<b>Total Operating Expenses</b>	14,204,529	12,987,333	11,379,294
E.	Other Revenue (Expenses) - Net (Spec.)			
	<b>NET OPERATING INCOME (LOSS)</b>	1,292,372	<168,677>	7,990
F.	Capital Expenditures			
	1. Retirement of Principal	8,307.89	0	0
	2. Interest	230	0	2
	<b>Total Capital Expenditures</b>	8,537.89	0	2
	<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	1,283,834.11	<168,677>	7,988

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**ATTACHMENT 13  
REVISED PROJECTED DATA CHART**

# PROJECTED DATA CHART

**SUPPLEMENTAL- 1**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month). **October 24, 2014 2:56pm**

		Year 1	Year 2
A.	Utilization Data (Patient Days)	13,707	25,934
B.	Revenue from Services to Patients		
	1. Inpatient Services	6,814,500	17,920,691
	2. Outpatient Services	42,750	214,985
	3. Emergency Services		
	4. Other Operating Revenue (Specify)	5,000	12,140
	<b>GROSS OPERATING REVENUE</b>	6,862,250	18,147,816
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	617,826	6,828,297
	2. Provision for Charity Care		
	3. Provision for Bad Debt	191,358	180,000
	<b>Total Deductions</b>	809,184	7,008,297
	<b>NET OPERATING REVENUE</b>	6,053,066	11,139,519
D.	Operating Expenses		
	1. Salaries and Wages	3,493,767	5,036,033
	2. Physician's Salaries and Wages		
	3. Supplies	1,112,055	2,283,221
	4. Taxes	122,000	140,000
	5. Depreciation	20,000	20,000
	6. Rent	1,200,000	1,200,000
	7. Interest, other than Capital		
	8. Management Fees		
	a. Fees to Affiliates	302,653	556,976
	b. Fess to Non-Affiliates		
	9. Other Expenses (See page 32)	2,242,363	1,699,492
	<b>Total Operating Expenses</b>	8,190,185	10,378,746
E.	Other Revenue (Expenses)-Net (Specify)		
	<b>NET OPERATING INCOME (LOSS)</b>	<2,439,772>	203,797
F.	Capital Expenditures		
	1. Retirement of Principal	20,000	20,000
	2. Interest	2,500	2,500
	<b>Total Capital Expenditures</b>	22,500	22,500
	<b>NET OPERATING INCOME (LOSS) LESS</b>	<2,462,272>	181,297
	<b>LESS CAITAL EXPENDITYURES</b>		
	<b>NET OPERATING INCOME (LOSS)</b>	<2,462,272>	181,297

**October 24, 2014  
2:56pm**

**ATTACHMENT 17  
DECOSIMO LETTER**

**DECOSIMO**  
CERTIFIED PUBLIC ACCOUNTANTS

an independent firm associated with  
**MOORE STEPHENS**  
INTERNATIONAL LIMITED

Joseph Decosimo and Company, PLLC  
Tallan Building  
Suite 800 - Two Union Square  
Chattanooga, TN 37402  
www.decosimo.com

Renee B. Ford, CPA  
Principal  
T: 423.756.7100  
F: 423.756.0510  
E: reneeford@decosimo.com

**October 24, 2014**  
**2:56pm**

October 6, 2014

Mr. Mark Farber  
Health Services and Development Agency  
State of Tennessee  
Nashville, Tennessee

Dear Mr. Farber:

Joseph Decosimo and Company, PLLC is the independent accounting firm engaged by Life Care Centers of America, Inc. and its consolidated entities ("the Companies") to conduct an audit of the Companies' consolidated balance sheet and related statements of income, deficit and cash flows. We have conducted such an audit for several years, most recently as of December 31, 2013, the last year for which an audit of the Companies has been completed. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, as is more fully set forth in our audit report.

From our audits of the Companies, we are aware that from time to time Life Care Centers of America, Inc. has purchased land, constructed and leased nursing facilities. Life Care Centers of America, Inc. informs us that it has applied to the State of Tennessee for a certificate of need in connection with the relocation of a skilled nursing facility in Hamilton County, with a total estimated cost of approximately \$24.875 million. We understand that the relocation costs are to be bank-financed over five years, requiring total principal and interest payments of approximately \$995,000 per year and a balloon payment of approximately \$23.9 million which will be refinanced. Management has also informed us that Life Care Centers of America, Inc. anticipates having several new skilled facilities under construction and in the fill-up stages during 2014 and 2015, requiring approximately \$7.5 - \$8.5 million of operating capital of the Companies.

We have been asked to provide you with the following information from the Companies' audited financial statements. The net cash flows from operating activities in each of the three years ended December 31, 2011, 2012, and 2013, as stated in the Companies' consolidated statements of cash flows, were substantially in excess of the estimated operating capital needed for the planned new skilled facilities under construction and the annual debt service requirements of the East Ridge, Hamilton County facility, as indicated above.

Very truly yours,



Renee B. Ford, CPA  
For the firm

RBF/sb

October 24, 2014  
2:56pm

**ATTACHMENT 22  
REVISED  
PROJECT COMPLETION FORECAST CHART**

## PROJECT COMPLETION FORECAST CHART

October 24, 2014  
2:56pm

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): January 15, 2015. Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	30	January/2015
2. Construction documents approved by the Tennessee Department of Health	203	July/2015
3. Construction contract signed	233	August/2015
4. Building permit secured	264	September/2015
5. Site preparation completed	356	December/2015
6. Building construction commenced	387	January/2016
7. Construction 40% complete	538	June/2016
8. Construction 80% complete	691	November/2016
9. Construction 100% complete (approved for occupancy)	872	May/2017
10. *Issuance of license	902	June/2017
11. *Initiation of service	932	July/2017
12. Final Architectural Certification of Payment	962	August/2017
13. Final Project Report Form (HF0055)	993	September/2017

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**The applicant is requesting 36 months to complete this project.**



**October 24, 2014  
2:56pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BRADLEY

NAME OF FACILITY: LIFE CARE CENTER OF EAST RIDGE

I, Cindy S. Cross. after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Life Care Centers of America, Inc.

By: Cindy S. Cross

Cindy S. Cross, Assistant Secretary

Sworn to and subscribed before me, a Notary Public, this the 23rd day of October, 2014, witness my hand at office in the County of Bradley, State of Tennessee.

Becky Richmond  
NOTARY PUBLIC

My commission expires February 7, 2017.

HF-0043

Revised 7/02



# SUPPLEMENTAL-#2 -Original-

Life Care Center of East Ridge

CN1410-044

# BUTLER | SNOW

2014 OCT 30 10:00  
SUPPLEMENTAL

October 30, 2014

## VIA HAND DELIVERY

Phillip Earhart  
Health Services Development Examiner  
Health Services & Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Mr. Earhart:

Attached, in triplicate, is the response to request for supplemental information in connection with the project referenced above.

Very truly yours,

BUTLER SNOW LLP

  
Dan H. Elrod

clw  
Attachments  
cc: Cindy Cross

*The Pinnacle at Symphony Place  
150 3rd Avenue South, Suite 1600  
Nashville, TN 37201*

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23278182v1

BUTLER SNOW LLP

**LIFE CARE CENTERS OF AMERICA  
dba LIFE CARE CENTER  
OF EAST RIDGE**

***SUPPLEMENTAL INFORMATION 2***

**CERTIFICATE OF NEED  
APPLICATION CN1410-044  
OCTOBER 30, 2014**

1. **Section B, Project Description, Item I - The applicant states there are approximately 18 Level I (SNF) patients in the current facility. Please clarify if the applicant meant to state 18 Level I (NF) patients.**

Response: The applicant did mean to state 18 Level I (NF) patients are in the facility.

2. **Section C. Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (2) (a.) - The comparison of the cost of the renovation project to the cost of the replacement projects in cost per bed terms is noted. However, it appears the cost per bed is \$137,380. Please clarify.**

Response: The correct cost for new construction is \$137,380. The corrected comparison of new construction and renovation is presented in the following table.

	Beds	Construction Cost	Cost per Bed
New Construction	108	\$14,837,000	\$137,380
Renovation	119	\$16,292,080	\$138,068

3. **Section C, Economic Feasibility, Item 1 (Project Cost Chart) - In the supplemental response the applicant states the site will require significant fill to be imported to raise the finish floor level 4-6 feet above the 100 year flood level. Please address the following in relation to the 100 year flood level:**

- **Please clarify if the current building site will meet current Hamilton County/FEMA floodplain requirements.**

Response: The site will meet Hamilton County/FEMA floodplain requirements. Portions of the site are currently approximately four feet below the 100 year flood level. These areas of the site will be filled to raise them above the 100 year floodplain.

- **Please clarify why the new site is now needed to be elevated 4-6 feet while it appears the former site was not.**

Response: Code requires the finish floor of our proposed facility to be above the 100 year flood plain level. Based on a survey from 2010, portions of the proposed location for the new facility are on a section of the property that is approximately four feet below the 100 year flood level. Due to this, we have included costs to raise this area in our budget.

- **Please define a 100 year floodplain level.**

Response: The 100 year flood plain level is determined by FEMA. The flood plain is an area determined to be covered with standing water as a result of a flooding event predicted by FEMA to occur no more than once every one hundred years. It is at an elevation above sea level, and varies from area to area. FEMA maintains records and maps of flood plains and floodways. As indicated on the FEMA maps for this site, the 100 year flood level is 682 feet above sea level. A survey of the site showing the contours of the land is required to determine which areas of a site are above or below this elevation.

- **Has the existing nursing home ever flooded?**

Response: No. The existing nursing home has never flooded.

- **Please clarify if all of the 14.6 acres are included in the 100 year floodplain level. If not, what is the designation of the remainder?**

Response: Until the final site plans and civil engineering drawings are complete, the total acreage of land below the 100 year flood level that will require fill cannot be determined. Regardless of what is required, it is our company's preference to raise the building, driveways, and parking areas several additional feet above the minimum elevation set by FEMA.

- **If a 100 year flood occurs, will access roads be built for the safe evacuation of patients?**

Response: Due to our company's plans to raise the building, driveways, and parking areas several additional feet above the minimum required elevation set by FEMA, and the fact that the adjacent public roadways and interstate are also above this minimum elevation, a safe evacuation route will be provided.

4. **Section C, Economic Feasibility, Item 4 (Historical Data Chart) - There appears to be an error in the Total Operating Expenses column for the year 2013. The total should be \$11,373,294 not \$11,379,294. Please revise.**

Response: See Attachment 4

5. **Section C, Economic Feasibility, Item 5 - The average gross charge, average deduction from operating revenue and the average net charge per patient day are noted. However, there appears to be calculation errors in year 2 for the average deduction. Please revise.**

Response: The revised Projected Data Chart in the supplemental information contained several errors. Another revised Projected Data Chart is presented in Attachment 5. The average deduction from operating revenue and the average net charge per patient was determined using this revised chart and is presented in the following table. The data is the same as presented in the previous submittal of supplemental information.

	Year 1	Year 2
Average Gross Charge	\$500.64	\$532.79
Average Deduction	\$59.03	\$103.26
Average Net Charge	\$441.61	\$429.53

6. **Section C, Economic Feasibility, Item 10 - Life Care's refusal to submit financial statements is noted. Audited financial statements with accompanying notes are used to demonstrate the financial feasibility of a project. They are especially important when an applicant has multiple projects under construction. More information is needed to determine whether this project is financially feasible.**

Bank of Texas Senior Vice President Bianca Andujo's funding letter indicates the \$24,874,400 project will be funded by a 100% bank loan over a 5 year period with interest only payments during construction and lease up. The letter noted a current interest rate of 4%.

Decosimo CPA Renee B. Ford's October 6, 2014 letter notes the project will be bank-financed over five years, requiring total principal and interest payments of approximately \$995,000 per year and a balloon payment of approximately \$23.9 million which will be refinanced. Ms. Ford's letter also notes the net cash flows from the 2011-2013 audited financial statements were substantially in excess of the debt service of the operating capital needed for East Ridge and the approximately \$7.5-8.5 million for the several new skilled facilities under construction and in fill-up stages during 2014-2015.

- 1) **Please provide more detailed information regarding the number and location of projects currently under construction and the total debt service associated with those projects.**

Response: Currently, five new facilities are in the fill-up stages and one facility is under construction. The debt service per month for the project under construction is presented in the following table.

Project	Debt Service Per month
Life Care Center of Blount Count, Maryville, TN	\$62,500

- 2) **Please address the details regarding the proposed refinancing of the 23.9 million balloon payment. Will interest only payments be required during construction and lease up or will the \$995,000 annual payment include principal and interest?**

Response: Life Care Centers of America will lease the building from East Ridge Medical Investors, LLC and this entity will finance the project by a bank loan. During the term of the loan (5 years) the landlord will make annual payments of approximately \$995,000 per year. This amount is interest only and does not include principal.

- 3) **Will the \$995,000 be paid each year for 5 years plus the 23.9 million balloon payment or will it be paid for 4 years plus the balloon payment?**

Response: The interest payments will be paid for 5 years with the balloon payment being made at the end of the term of the loan.

- 4) **Since the balloon payment is to be refinanced, what is the true cost of the replacement facility?**

Response: The facility will be leased by the applicant/licensee for an initial term of 10 years. Since the total of payments for the initial 10-year term of the lease is less than the construction costs, the project cost for CON purposes is \$24,874,400 as presented in the Project Cost Chart.

**5) How many of Life Care's previous projects have been financed in this manner?**

Response: All recent projects that were financed, were financed in a similar manner.

**6) Please submit documentation that Life Care has the financial resources to operate this project. As previously indicated, recent audited financial statements with accompanying notes are requested as a way to demonstrate financial feasibility.**

Response: Life Care Centers of America, Inc. ("LCCA") is privately owned and its financial statements are confidential. The Agency has not previously required LCCA and its affiliates to provide audited financial statements in other Certificate of Need applications. Most of these applications included a letter from DeCosimo and Company similar to the letter included in the submitted supplemental information. In other applications a letter was submitted from DeCosimo and Company presenting three financial ratios (current ratio, debt service coverage ratio, and long-term debt to capitalization ratio) which were used by the Agency to evaluate the financial feasibility of the project.

A letter from DeCosimo and Company containing these updated ratios is presented in Attachment 6. These ratios demonstrate LCCA's financial ability to complete and operate this proposed project. It currently operates approximately 230 nursing facilities in 28 states. In LCCA's 38 years of operation, it has never been unable to complete a project due to a lack of financial resources.





**ATTACHMENT 4**

**HISTORICAL DATA CHART (Revised)**

## HISTORICAL DATA CHART (Revised)

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in Jan (Month).

		2011	2012	2013
A.	Utilization Data (Total Patient Days)	36,865	33,959	30,053
B.	Revenue from Services to Patients			
	1. Inpatient Services	15,251,547	14,367,222	13,281,983
	2. Outpatient Services	243,468	223,348	410,664
	3. Emergency Services			
	2. Other Operating Revenue	27,362	35,501	35,942
	<b>GROSS OPERATING REVENUE</b>	15,522,377	14,626,071	13,728,589
C.	Deductions form Operating Revenue			
	1. Contractual Adjustments	<499,760>	1,428,282	1,890,043
	2. Provision for Charity Care			
	3. Provision for Bad Debt	525,236	379,133	457,262
	<b>Total Deductions</b>	25,476	1,807,415	2,347,305
	<b>NET OPERATING REVENUE</b>	15,496,901	12,818,656	11,381,284
D.	Operating Expenses			
	1. Salaries and Wages (Includes Benefits)	7,821,515	7,256,638	6,214,395
	2. Physician's Salaries and Wages			
	3. Supplies	2,173,063	1,947,514	1,682,827
	4. Taxes	105,340	104,560	106,144
	5. Depreciation	20,701	1,731	333
	6. Rent	665,586	665,097	618,904
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates	774,845	640,932	571,103
	b. Fees to Non-Affiliate			
	9. Other Expenses See Page 32 *	2,643,479	2,370,861	2,179,588
	<b>Total Operating Expenses</b>	14,204,529	12,987,333	11,373,294
E.	Other Revenue (Expenses) - Net (Spec.)			
	<b>NET OPERATING INCOME (LOSS)</b>	1,292,372	<168,677>	7,990
F.	Capital Expenditures			
	1. Retirement of Principal	8,307.89	0	0
	2. Interest	230	0	2
	<b>Total Capital Expenditures</b>	8,537.89	0	2
	<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	1,283,834.11	<168,677>	7,988

**ATTACHMENT 5**

**PROJECTED DATA CHART (Revised)**

## PROJECTED DATA CHART (Revised)

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

		Year 1	Year 2
A.	Utilization Data (Patient Days)	13,707	25,934
B.	Revenue from Services to Patients		
	1. Inpatient Services	6,814,500	13,590,261
	2. Outpatient Services	42,750	214,985
	3. Emergency Services		
	4. Other Operating Revenue (Specify)	5,000	12,140
	<b>GROSS OPERATING REVENUE</b>	6,862,250	13,817,386
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	617,826	2,497,867
	2. Provision for Charity Care		
	3. Provision for Bad Debt	191,358	180,000
	<b>Total Deductions</b>	809,184	2,677,867
	<b>NET OPERATING REVENUE</b>	6,053,066	11,139,519
D.	Operating Expenses		
	1. Salaries and Wages	3,493,767	5,036,033
	2. Physician's Salaries and Wages		
	3. Supplies	1,112,055	2,283,221
	4. Taxes	122,000	140,000
	5. Depreciation	20,000	20,000
	6. Rent	1,200,000	1,200,000
	7. Interest, other than Capital		
	8. Management Fees		
	a. Fees to Affiliates	302,653	556,976
	b. Fess to Non-Affiliates		
	9. Other Expenses (See page 32)	2,242,363	1,699,492
	<b>Total Operating Expenses</b>	8,190,185	10,935,722
E.	Other Revenue (Expenses)-Net (Specify)		
	<b>NET OPERATING INCOME (LOSS)</b>	<2,439,772>	203,797
F.	Capital Expenditures		
	1. Retirement of Principal	20,000	20,000
	2. Interest	2,500	2,500
	<b>Total Capital Expenditures</b>	22,500	22,500
	<b>NET OPERATING INCOME (LOSS) LESS</b>	<2,462,272>	181,297
	<b>LESS CAITAL EXPENDITYURES</b>		
	<b>NET OPERATING INCOME (LOSS)</b>	<2,462,272>	181,297

**ATTACHMENT 6  
DECOSIMO LETTER**

# DECOSIMO

CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, PLLC  
Suite 1100 - Two Union Square  
Chattanooga, TN 37402  
www.decosimo.com

To Management  
Life Care Centers of America, Inc. and Consolidated Entities  
Cleveland, Tennessee

We have performed the procedures enumerated below, which were agreed to by Life Care Centers of America, Inc. and consolidated entities (the Company) solely to assist you in connection with the calculation of certain ratios, which are attached hereto, derived from the audited financial statements of Life Care Centers of America, Inc. and consolidated entities for 2013, which were audited by us. We understand these ratios have been requested by the Tennessee Health Services and Development Agency in connection with your application for a Certificate of Need for Life Care Center of East Ridge.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. Obtain calculations of certain financial ratios as listed below prepared by management of Life Care Centers of America, Inc. as of December 31, 2013, and compare the amounts used in these calculations to the appropriate balances and amounts reported in the audited financial statements of Life Care Centers of America, Inc. and consolidated entities for 2013, which were audited by us.
  - Current ratio
  - Debt service coverage ratio
  - Long-term debt to capitalization ratio

These procedures were performed without exception.

2. Recalculate the ratios prepared by management and report any differences noted between management's calculations and our calculations.

As a result of our procedures, we noted no differences between our calculations and those prepared by the Company, which are included in the attached schedule.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the calculation of the ratios. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of Life Care Centers of America, Inc. and consolidated entities, in connection with its application for a Certificate of Need for Life Care Center of East Ridge, and is not intended to be and should not be used by anyone other than these specified parties.

*Joseph DeCassino and Company, PLLC*

Chattanooga, Tennessee  
October 30, 2014



Financial Ratios Required for East Ridge CON Application  
Life Care Centers of America, Inc. and Consolidated Entities  
December 31, 2013

---

Current Ratio -	2.15	After removing current maturities of long-term debt expected to be refinanced from total current liabilities in the calculation
	2.06	Including current maturities of long-term debt expected to be refinanced in total current liabilities in the calculation
Debt Service Coverage Ratio -	1.53	
Long-Term Debt to Capitalization Ratio -		This calculation was not made, since Life Care centers of America, Inc. is a privately owned company whose capitalization is limited to \$3,000 of common stock and \$907,404 of additional paid in capital. Variable interest entities which are included in the consolidated balance sheet have minimal capitalization and have negative equity due to withdrawals by the partners. Most of the capital required by an entity during fill-up is provided through loans from the partners. Thus, the Long-Term Debt to Capitalization ratio would not be meaningful as it relates to Life Care Centers of America, Inc.

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BRADLEY

NAME OF FACILITY: LIFE CARE CENTER OF EAST RIDGE

I, Cindy S. Cross. after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Life Care Centers of America, Inc.

By: 

Cindy S. Cross, Assistant Secretary

Sworn to and subscribed before me, a Notary Public, this the 30th day of October, 2014, witness my hand at office in the County of Bradley, State of Tennessee.



NOTARY PUBLIC

My commission expires February 7, 2017.

HF-0043

Revised 7/02



# **SUPPLEMENTAL-#3 -Original-**

**Life Care Center of East Ridge**

**CN1410-044**



**November 18, 2014**

**2:38 pm**

3001 Keith Street, NW / P.O. Box 3480 / Cleveland, Tennessee 37320-3480  
(423) 472-9585 / WWW.LCCA.COM

November 17, 2014

VIA FEDERAL EXPRESS

Philip M. Earhart  
HSD Examiner  
Health Services and Development Agency  
Andrew Jackson Building  
9<sup>th</sup> Floor, 502 Deaderick Street  
Nashville, TN 37243

Re: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Mr. Earhart:

This letter is to provide the Health Services and Development Agency (the "Agency") with additional information in the two areas identified in your letter dated November 12, 2014:

1. Section C, Economic Feasibility, Item 10

As additional background and clarification, the Applicant should have pointed out at the outset that no audited financial statement exists for Life Care Centers of America, Inc., the applicant for this CON and current operator of the facility known as "Life Care Center of East Ridge." Rather, the only audited financial statement issued – which is prepared by Decosimo Certified Public Accountants – is a consolidated audited financial statement aggregating the finances of some 216 nursing facilities and 20 retirement and assisted living facilities in 28 states.

Because of the consolidated nature of the financial statement, an examination of the audited consolidated financial statement would not reveal any specific, separate or itemized information about the finances of either Life Care Centers of America, Inc. alone or Life Care Center of East Ridge alone. In other words, the audited financial statement includes the assets, liabilities, revenues and expenses of Life Care Center of East Ridge but simply lumps them in with the aggregated total of assets, liabilities, revenues and expenses of the remaining 215 nursing facilities and 20 retirement and assisted living facilities.

As noted in its earlier submissions, as a privately owned company the Applicant does have privacy concerns about making publicly available consolidated financial information that has never been publicly released. Such information has never been filed in any other certificate of need or similar regulatory filing in any of the 28 states the Applicant or its affiliates do business. To the extent that

lenders request and receive the information, they do so with the protections afforded by federal and state banking and privacy laws, e.g. 12 CFR Part 216; TCA 45-10-101 et seq. Lenders have a statutory obligations to keep such information confidential. Regrettably, the statutes governing the Agency or its rules provide no such protection.

The Applicant does believe it has and can demonstrate to the Agency that this project is economically feasible. It has operated the facility successfully for almost 40 years and has previously outlined in detail the anticipated construction costs as well as the anticipated revenue and expenses of the new facility. The Applicant has previously provided in response to the first request for supplemental information In addition to the historical 5 year chart itemizing the major capital projects of the Applicant and its affiliates – which total over \$157 Million. Following are the Tennessee projects alone for approximately the last 10 years, which total over \$270 Million:

<u>Facility</u>	<u>Total Project Costs</u>	<u>Certificate of Occupancy</u>
Cleveland ALF/ILF	\$38,976,627	05/05/2006
Cleveland Patio Homes	\$13,194,417	02/10/2010
Collegedale SNF Addition & Remodel	\$17,073,875	04/06/2011
Gray SNF	\$2,707,131	2006-2007
Greenbriar Cove	\$40,749,556	07/15/2009
Hickory Woods ALF	\$22,401,317	09/22/2014
Hickory Woods SNF	\$23,575,574	12/13/2011
Hixson SNF	\$18,827,656	12/16/2010
Old Hickory SNF	\$23,526,304	04/04/2012
Ooltewah ALF	\$23,888,300	06/11/2014
Ooltewah SNF	\$24,955,535	12/05/2012
Rhea County SNF	\$21,900,676	01/23/2013
Sparta SNF	\$7,993,969	08/10/2000
<b>Total:</b>	<b>\$279,770,937.00</b>	

The Applicant would respectfully point out that a CON was required for many of the above projects; the Agency approved all of those without requiring an audited financial statement of the respective applicants. None of the projects undertaken by the applicant or its affiliates have been abandoned because of lack of financing or capital. The financing of this project is in place based on the Applicant's financial strength.

While the statutes and rules governing the Agency of course require examination of the economics of proposed projects, neither the statutes nor the Agency's rules require any particular format for such a presentation or an audited financial statement. See T.C.A. 68-11-1607; TN Rules & Regulations 0720-11-.01.

**November 18, 2014****2:38 pm**

Philip M. Earhart  
November 17, 2014  
Page 3

We understand that many applicants may find it beneficial to submit an audited financial statement, but the concerns expressed above, in the applicant's view, outweigh the benefit of an audited financial statement. The Applicant is prepared to incur the risks of presenting its application without the benefit of an audited financial statement.

As requested, please note the following information with regard to the pending litigation matter.

Forrest L. Preston is the sole shareholder of Life Care Centers of America, Inc. ("Life Care"). Life Care has been named in the following lawsuits which have now been consolidated in the United States District Court for the Eastern Division of Tennessee:

**United States of America, ex rel. Glenda Martin v. Life Care Centers of America, Inc.**

Case No.: 1:08-CV-251

Court: United States District Court Eastern District of Tennessee at Chattanooga

Date Filed: United States' Consolidated Complaint in Intervention filed November 28, 2012  
(Original Complaint filed October 16, 2008)

**United States of America, ex rel. Tammie Taylor v. Life Care Centers of America, Inc.**

Case No.: 1:12-CV-64

Court: United States District Court Eastern District of Tennessee at Chattanooga

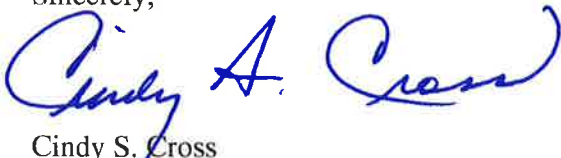
Date Filed: United States' Consolidated Complaint in Intervention filed November 28, 2012  
(Original Complaint filed June 25, 2008)

Life Care believes that it has substantial defenses to the allegations and intends to vigorously defend itself in the civil litigation.

In addition, I would note that amount paid in state and federal penalties assessed against Life Care Center of East Ridge since January 1, 2011 is \$195,715. This penalty was assessed as a civil monetary penalty in connection with the facility's 10/18/2011 survey.

The Applicant respectfully requests that its Application be deemed complete and it would welcome the opportunity to demonstrate to Agency that this would be a successful, and economically feasible, project.

Sincerely,



Cindy S. Cross  
Assistant Secretary

**November 18, 2014**

**2:38 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BRADLEY

NAME OF FACILITY: LIFE CARE CENTER OF EAST RIDGE


I, Cindy S. Cross. after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith in the attached letter, and that it is true, accurate, and complete.

Life Care Centers of America, Inc.

By: 

Cindy S. Cross, Assistant Secretary

Sworn to and subscribed before me, a Notary Public, this the 17th day of November, 2014, witness my hand at office in the County of Bradley, State of Tennessee.

  
NOTARY PUBLIC

My commission expires February 7, 2017.

HF-0043

Revised 7/02



# Supplemental #4 -Original-

Life Care Center of East  
Ridge

CN1410-044





**SUPPLEMENTAL #4**

**December 12, 2014**

**10:13 am**

3001 Keith Street, NW / P.O. Box 3480 / Cleveland, Tennessee 37320-3480  
(423) 472-9585 / WWW.LCCA.COM

December 11, 2014

**VIA FEDERAL EXPRESS**

State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building  
502 Deaderick Street – 9<sup>th</sup> Floor  
Nashville, Tennessee 37243

ATTN: Phillip M. Earhart  
HSD Examiner

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Mr. Earhart:

Please find enclosed, in triplicate, the Supplemental Information requested in connection with Certificate of Need Application CN1410-044 for the proposed Relocation for the above referenced project. Cindy Cross is currently out of the office, and, in light of the upcoming deadlines, this Supplemental Information is being submitted in her absence.

Thank you in advance for your assistance. If you should have any questions, please contact me at (423) 473-5868.

Sincerely,

  
Joan E. Thurmond  
Legal Assistant

JET/jes  
Enclosure

cc: Cindy S. Cross  
Richard McAfee  
Ed Day  
Dan Elrod, Esquire

**LIFE CARE CENTERS OF AMERICA  
dba LIFE CARE CENTER  
OF EAST RIDGE**

***SUPPLEMENTAL INFORMATION 4***

**CERTIFICATE OF NEED  
APPLICATION CN1410-044  
DECEMBER 11, 2014**

**December 12, 2014****10:13 am****1. Section A.6 (Site Control)**

**It is noted Life Care Centers of America, Inc., is planning to lease the premises from lessors East Ridge Medical Investors, LLC. Please provide control of the site by providing a deed documenting the three LLCs East Ridge Medical Investors, LLC, East Ridge Retirement Investors, LLC and Fincher Real Estate Investors, LLC owns the property.**

**Response:**

Attached please find copies of the deeds recorded in the Hamilton County Register's Office, Hamilton County, Tennessee, documenting the property ownership and site control.

**2. Section C, Economic Feasibility, Item 10**

**In Supplemental #2 it is noted East Ridge Medical Investors, LLC will finance the proposed project by a bank loan. Please provide the latest balance sheet and income statement as well as the most recent audited financial statements with accompanying notes from East Ridge Medical Investors which documents the LLC has the financial resources to finance the proposed project.**

**Response:**

No audited financial statement exists or has ever been prepared for East Ridge Medical Investors, LLC.

Attached are the current internal balance sheet and income statement for East Ridge Medical Investors, LLC.

In reviewing the attached, it should be kept in mind that Life Care Center of East Ridge is currently financed through a lender with a guarantee provided by U.S. Department of Housing and Urban Development ("HUD"). Accordingly, the ownership and lease structure of the facility have been organized in accordance with HUD guidelines. East Ridge Medical Investors, LLC. is currently the lessor of the property and not the operator of the facility.

**Please clarify why the funding letter form the Bank of Texas is addressed to Life Care Centers of America, Inc. rather than East Ridge Medical Investors, LLC.**

**Response:**

The letter was addressed to Life Care Centers of America, Inc. and Forrest L. Preston. Life Care Centers of America, Inc. is affiliated with East Ridge Medical Investors, LLC, through common ownership by Mr. Preston, who is the Chairman, Chief Executive Officer and sole shareholder of Life Care Centers of America, Inc. As is indicated by the stated purpose and content of the letter, the Bank of Texas has sent the letter proposing 100% financing of the replacement of the facility known as Life Care Center of East Ridge.

**Please clarify which entity will be responsible for the \$23.9 million balloon payment.**

**Response:**

As for which entity would be responsible for paying the \$23.9 million obligation and balloon payment to Bank of Texas, assuming the final loan documents are structured

**December 12, 2014**

as with past Bank of Texas loans, East Ridge Medical Investors, LLC would be responsible for the obligations.

**The 2 pending Life Care Centers of America, Inc. lawsuits in the United States District Court for the Eastern Division of Tennessee is noted. However, as requested in supplemental #3, please provide an overview of the allegations, status, and its possible impact upon the financial outlook of Life Care Centers of America, Inc.**

**Response:**

The two consolidated pending lawsuits date back from an investigation that started in March 2008 into rehabilitation services provided by certain therapists at certain facilities owned, operated or managed by Life Care Centers of America, Inc. It was later revealed that the investigation arises out of Federal False Claims Act actions filed under the statute's qui tam provisions. In general, the lawsuits claim that certain LCCA therapists provided rehabilitation therapy to Medicare beneficiaries at a level that was not medically reasonable or necessary, or did not constitute skilled therapy under applicable Medicare guidelines, allegedly causing certain patients to be improperly classified at higher levels for reimbursement purposes. While an adverse verdict could be material, LCCA believes that it has substantial defenses to the allegations and has been and intends to vigorously defend itself. Discovery is ongoing in the cases, and no trial date for the consolidated lawsuits has been set. As the effect of any outcome cannot be reasonably estimated, no provisions have been made in the financial statements for Life Care or any of its affiliates. East Ridge Medical Investors, LLC is not a defendant in the lawsuit.

## **ATTACHMENT 1**

### **Section A. 6 (Site Control)**

#### **Copies of deeds documenting ownership of the following tracts:**

6614 Ringgold Road, East Ridge, TN – Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

6600 Ringgold Road, East Ridge, TN – Fincher Real Estate Investors, LLC  
(Book 9034, page 593 + Parcel from TDOT in Book 10095, page 821)

6616 Ringgold Road, East Ridge, TN- East Ridge Retirement Investors, LLC  
(Book 5102, page 447 + Parcel from TDOT in Book 10110, page 618)

1500 Fincher Avenue, East Ridge, TN – East Ridge Medical Investors, LLC  
(Book 5679, page 157)

1511 Fincher Avenue, East Ridge, TN – Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

1515 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

1517 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

1519 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

1521 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9034, page 593)

1523 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9007, page 200)

1525 Fincher Avenue, East Ridge, TN– Fincher Real Estate Investors, LLC  
(Book 9040, page 523)

\*The TDOT Parcels previously referenced have been added to adjacent parcels by the assessor's office and are referenced above with the corresponding parcel.



December 12, 2014

10:13 am

Instrument: 2009100900135  
 Book and Page: 61 9034 593  
 DEED RECORDING FEE \$45.00  
 DATA PROCESSING FEE \$2.00  
 CONVEYANCE TAX \$9,221.46  
 PROBATE FEE \$1.00  
 Total Fees: \$9,269.46  
 User: WCDC\DSkelton  
 Date: 10/9/2009  
 Time: 4:11:13 PM

ADDRESS NEW OWNERS AS FOLLOWS:		SEND TAX BILLS TO:		REGISTER NUMBER	
FINCHER REAL ESTATE INVESTORS, LLC		Contact: Pam Hurst, Register		Hamilton County, Tennessee below	
3570 Keith Street, NW		same			
(STREET ADDRESS OR ROUTE NUMBER)		(STREET ADDRESS)			
Cleveland, TN 37312					
(CITY)	(STATE) (ZIP)	(CITY)	(STATE) (ZIP)		

PTA 114518

## WARRANTY DEED

IN CONSIDERATION of One (\$1.00) Dollar and other valuable considerations paid, the receipt of all of which is hereby acknowledged, FINCHER INVESTMENTS, LLC, a Tennessee limited liability company, does hereby sell, transfer and convey unto FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company, the following described real estate located in the Second Civil District of Hamilton County, Tennessee:

Tract One (1): Parcel No. 170P-A-018.02 (6614 Ringgold Road)

Land lying and being in the City of East Ridge, Hamilton County, Tennessee; and being Lot One (1), Don L. Six, Sr. Subdivision, as recorded in Plat Book 42, Page 27, in the Register's Office of Hamilton County, Tennessee and being more particularly described as follows:

Point of Beginning being a rebar on the south right-of-way of Interstate 24 (Right-of-Way varies); thence along said right-of-way the following calls: a curve to the right having an arc length 179.03 feet, radius of 335.00 feet and a chord South 66 degrees 40 minutes 00 seconds East 176.91 feet to a concrete monument, South 51 degrees 40 minutes 37 seconds East 64.83 feet to a rebar; thence leaving said right-of-way and along the west property line of East Ridge Retirement Investors, LLC as recorded in Deed Book 5102, Page 447, in the Register's Office of Hamilton County, Tennessee the following calls: South 38 degrees 34 minutes 31 seconds West 90.00 feet to a 5/8" rebar, South 02 degrees 37 minutes 32 seconds East 147.78 feet to a 1/2" rebar, South 87 degrees 01 minute 03 seconds West 122.46 feet to a rebar on the east property line of East Ridge Medical Investors, LLC as recorded in Deed Book 5679, Page 157, in the Register's Office of Hamilton County, Tennessee; thence along said line North 51 degrees 12 minutes 34 seconds West 95.01 feet to a 1/2" rebar on the east right-of-way of Fincher Avenue (Right-of-way varies); thence along said right-of-way the following calls: North 38 degrees 39 minutes 54 seconds East 68.85 feet to a rebar, North 02 degrees 44 minutes 53 seconds West 221.60 feet to the point of beginning. Being shown on survey performed by Hopkins Surveying Group dated July 9, 2008, Drawing No. 2008-145-3.

The source of Grantor's interest is found in deed of record in Book 8742, Page 809, in the Register's Office of Hamilton County, Tennessee.

RETURN TO  
 PROVIDER TITLE AGENCY, INC.  
 513 GEORGIA AVENUE  
 CHATTANOOGA, TN.

Prepared By  
 WILLIAM DAVID JONES  
 ATTORNEY AT LAW  
 513 Georgia Avenue  
 CHATTANOOGA, TN 37402

1066664

6614 Ringgold Road  
 6600 Ringgold Road  
 1511 Fincher Avenue  
 1515 Fincher Avenue  
 1517 Fincher Avenue  
 1519 Fincher Avenue  
 1521 Fincher Avenue

December 12, 2014

10:13 am

Book and Page: GI 9034 594

Tract Two (2): Parcel No. 169M-M-011 (1511 Fincher Avenue)

Located in the City of East Ridge, Hamilton County, Tennessee, being Lot Twenty-three (23), Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, and being more particularly described as follows:

Beginning at a crimp top pipe on the west right of way line of Fincher Avenue (varying right of way), said pipe being the northeast corner of Lot 23, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the west right of way line of Fincher Avenue South 39 degrees 04 minutes 31 seconds West 135.00 feet to a 5/8" rebar, said rebar being the northeast corner of Lot 22, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the north line of said Lot 22, North 50 degrees 55 minutes 46 seconds West 167.68 feet to an iron rod on the north line of said Lot 23, Revised Subdivision of Part of McDonald Hills; thence along said north line, South 89 degrees 45 minutes 56 seconds East 215.28 feet to the point of beginning.

The source of Grantor's interest conveyed by Warranty Deed recorded in Book 8757, Page 296, in the Register's Office of Hamilton County, Tennessee.

Tract Three (3): Parcel No. 169M-M-013 (1515 Fincher Avenue)

Located in the City of East Ridge, Hamilton County, Tennessee, being Lot Twenty-one (21), Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, being more particularly described as follows:

Beginning at a 5/8" rebar on the west right of way line of Fincher Avenue (varying right of way), said pipe being the southeast corner of Lot 22 and Part of Lot B and 2-4, Block A, Revised Subdivision of McDonald Hills Subdivision, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the west right of way line of Fincher Avenue with a curve to the left having a radius of 306.57 feet and arc length of 60.07 and delta angle of 11 degrees 13 minutes 38 seconds to a point on the northeast corner of Lot 20, Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the north line of said Lot 20, North 72 degrees 25 minutes 21 seconds West 154.74 feet to a point on the east line of Lot 6, Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the said east line of Lots 6 and 5, North 08 degrees 59 minutes 24 seconds East 94.07 feet to a rebar on the corner of Lot 22, Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the south line of Lot 22, South 61 degrees 38 minutes 34 seconds East 178.69 feet to the point of beginning, all as shown on survey by Hopkins Surveying Group, drawing number 2008-262-3, dated December 30, 2008.



December 12, 2011

10:13 am

Book and Page: GI 9034 595

The source of Grantor's interest is found in deed of record in Book 8881, Page 511, in the Register's Office of Hamilton County, Tennessee.

Tract Four (4): Parcel No. 169M-M-014 (1517 Fincher Avenue)

Located in the City of East Ridge, Hamilton County, Tennessee, being Lot Twenty (20), Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, being more particularly as described as follows:

Beginning at 5/8" rebar on the west right of way line of Fincher Avenue (varying right of way), said rebar being the northeast corner of Lot 19, Block A, Revised Subdivision of Part of McDonald Hills Subdivision, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the north property line of Lot 19, North 79 degrees 57 minutes 29 seconds West 148.80 feet to a 5/8" rebar on the east property line of Lot 7, Block A, Revised Subdivision of Part of McDonald Hills Subdivision, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the east line of said Lots 7 and 6, North 08 degrees 59 minutes 24 seconds East 84.25 feet to a point on the south line of Lot 21, Block A, Revised Subdivision of Part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; thence along the said south line of Lot 21, South 72 degrees 25 minutes 21 seconds East 154.74 feet to a point on the west right of way line of Fincher Avenue (varying right of way); thence along the west right of way line of Fincher Avenue the following calls: with a curve to the left having a radius of 306.57 feet, an arc length of 43.34 and delta angle of 08 degrees 06 minutes 02 seconds, South 10 degrees 02 minutes 31 seconds West 20.74 feet to the point of beginning, all as shown on survey by Hopkins Surveying Group, drawing number 2008-262-3, dated December 30, 2008.

The source of Grantor's interest is found in deed of record in Book 8881, Page 514, in the Register's Office of Hamilton County, Tennessee.

Tract Five (5): Parcel No. 169M-M-010 (6600 Ringgold Road)

Located in the City of East Ridge, Hamilton County, Tennessee, being Lots 1-4 and Lot 22, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 and Lot B, McDonald Hills, as recorded in Plat Book 15, Page 10, in the Register's Office of Hamilton County, Tennessee, being more particularly described as follows:

Beginning at a crimp top pipe on the west right of way line of Fincher Avenue (varying right of way), said pipe being the northeast corner of Lot 23, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the aforesaid Lot 23 north property line, North 89 degrees 45 minutes 56 seconds West 215.28 feet to a rebar; thence along the south property line of aforesaid Lot 23 South 50 degrees 55 minutes 46 seconds East 167.68 feet to a 5/8" rebar on the west right-of-way line of Fincher Avenue and the northeast corner of Lot 22, Block A, Revised Subdivision of Part of



10:13 am

Book and Page: GI 9034 596

McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the said right-of-way of Fincher Avenue with a curve to the left having a radius of 306.57 feet an arc length of 60.00 feet and a chord bearing of South 34 degrees 36 minutes 10 seconds West 59.92 feet to a 5/8" rebar on the northeast corner of Lot 21, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the north property line of aforementioned Lot 21, North 61 degrees 38 minutes 34 seconds West 178.69 feet to rebar at the Northeast corner of Lot 5, Block A, Revised Subdivision of Part of McDonald Hills, as shown of record in Plat Book 16, Page 66 in the Register's Office of Hamilton County, Tennessee; thence along the north line of Lot 5, North 79 degrees 54 minutes 42 seconds West 149.87 feet to a rebar on the east right of way of McDonald Road; thence along said right-of-way of McDonald Road North 09 degrees 59 minutes 23 seconds East 50.76 feet to a 5/8" rebar, thence with the curved intersection line of McDonald Road and Fincher Avenue and continuing along Fincher Avenue the following calls: with a curve to the right having a radius of 50.00 feet an arc length of 56.21 feet and chord bearing of North 42 degrees 22 minutes 55 seconds East 53.29 feet to a 5/8" rebar, North 74 degrees 35 minutes 03 seconds East 341.76 feet to a 5/8" rebar, with a curve to the right having a radius of 35.00 feet, an arc length of 62.58 feet and a chord bearing South 54 degrees 11 minutes 41 seconds East 54.57 feet to a 5/8" rebar, South 02 degrees 57 minutes 59 seconds East 105.44 feet to the point of beginning, all as shown on survey by Hopkins Surveying Group, drawing no. 2009-006-3, dated January 20, 2009.

The source of Grantor's interest is found in deed of record in Book 8892, Page 691, in the Register's Office of Hamilton County, Tennessee.

Tract Six (6): Parcel No. 169M-M-016 (1521 Fincher Avenue)

Lot Eighteen (18), Block "A", McDonald Hills, as shown by plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee. According to said plat, said lot fronts 70 feet on the West line of Fincher Avenue, and extends back westwardly, between parallel lines, 150 feet to the east line of Lots 8 and 9.

The source of Grantor's interest is found in deed of record in Book 8915, Page 696, in the Register's Office of Hamilton County, Tennessee.

Tract Seven (7): Parcel No. 169M-M-015 (1519 Fincher Avenue)

Lot Nineteen (19), Block "A", Revised Subdivision of part of McDonald Hills, as shown by plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee. According to said plat said lot fronts 70 feet on the West line of Fincher Avenue, and extends back westwardly between parallel lines, 150 feet to the East line of Lots Seven (7) and Eight (8).

The source of Grantor's interest is found in deed of record in Book 8986, Page 154, in the Register's Office of Hamilton County, Tennessee.

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Subject to 40' foot private, non-exclusive access and utility easement across the North forty (40) feet of said tract as shown, described or noted on plat recorded in Plat Book 42, Page 27, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated July 9, 2008, Drawing No. 2008-145-3; as to Tract 1.

Subject to Indenture of Covenants running with the land between Interstate Equity Corporation and Chevron Oil Company, recorded in Book 1689, Page 166, in the Register's Office of Hamilton County, Tennessee, as to Tract 1.

Subject to control of access along Interstate Highway I-75 as acquired by the State of Tennessee by Final Decree recorded in Book 1381, Page 32, in the Register's Office of Hamilton County, Tennessee, as to Tract 1.

Subject to Agreement by and between Southern Hospitality Corporation and Howard Johnson Company, Inc., and L.S.G. Inc., and Naral Patel, individually, dated October 7, 1986 and filed of record in Book 3275, Page 136, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated July 9, 2008, Drawing No. 2008-145-3; as to Tract 1.

Subject to 10' private sanitary sewer easement as shown, described or noted on plat recorded in Plat Book 42, Page 27, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated July 9, 2008, Drawing No. 2008-145-3; as to Tract 1.

Subject to the following matters shown on survey by Hopkins Surveying Group dated July 9, 2008, Drawing No. 2008-145-3: as to Tract 1.

- a) Overhead utility wires;
- b) Encroachment of curb at southwest corner;
- c) Water line.

Subject to restrictive covenants set out in deed of acquisition recorded in Book 8742, Page 809, in the Register's Office of Hamilton County, Tennessee, as to Tract 1.

Subject to sewer line easement as set out in instrument recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee, and as located on survey by Hopkins Surveying Group dated July 11, 2008, Drawing No. 2008-149-3; as to Tract 2.

Subject to 35' front building setback line as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee. Survey by Hopkins Surveying Group dated July 11, 2008, Drawing No. 2008-149-3 shows an encroachment of the building into the 35 foot front building setback area; as to Tract 1.

Subject to utility easement as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, as to Tract 2.

Subject to the following matter shown on survey by Hopkins Surveying Group dated July 11, 2008, Drawing No. 2008-149-3: as to Tract 2.

- a) Wall encroachment onto adjoining property to the north.

10:13 am

Book and Page: GI 9034 598

Subject to building setback requirement as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3; as to Tracts 3 & 4.

Subject to 10' utilities easement as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3; as to Tracts 3 & 4.

Subject to 4' Sewer Line Agreement recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3; as to Tracts 3 & 4.

Subject to 4' sewer easement, 10' foot utility easement and 2' foot water line easement as set out in Agreement recorded in Book 2056, Page 977, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3; as to Tracts 3 & 4.

Subject to the following matters shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3:

- a) Fence encroachments; as to Tract 3.
- b) Overhead power line; as to Tracts 3 & 4.

Subject to water line easement created in document of record in Book 1232, Page 359, in the Register's Office of Hamilton County, Tennessee, as shown on survey by Hopkins Surveying Group dated December 30, 2008, Drawing No. 2008-262-3; as to Tract 4.

Subject to 8' EPB Easement established by Abandonment and Relocation of Easement executed by the Electric Power Board of Chattanooga and Bob Evans Farm, Inc., recorded in Book 3118, Page 748, in the Register's Office of Hamilton County, Tennessee, and as shown on survey by Hopkins Surveying Group dated January 20, 2009, Drawing No. 2009-006-3; as to Tract 5.

Subject to the following restrictive covenant set out in Deed from State of Tennessee recorded in Book 1829, Page 564, in the Register's Office of Hamilton County, Tennessee, and which is limited to the area conveyed by said Deed: "No advertising will be permitted on the lot except for the business located on the premises."; as to Tract 5.

Subject to the following easement for water pipe line set out in deed recorded in Book 1232, Page 359, in the Register's Office of Hamilton County, Tennessee: There is hereby created a Perpetual Easement four (4) feet in width, for the installation and maintenance of a water pipe line, the same to be located over and upon the southern 2 feet of Lot 4 and the northern 2 feet of Lot 5, and the southwestern 2 feet of Lot 22, and the northeastern 2 feet of Lot 21, Block "A", of said Revised Subdivision of part of McDonald Hills, said easement to run along the lines of said lots from the East side of McDonald Road to the West side of Fincher Avenue; to be an Easement unto the said Osborne Building Corporation, its successors or assigns; as to Tract 5.



December 12, 2014

10:13 am

Book and Page: GI 9034 599

The aforesaid Lots Nos. 21 and 22, Block "A", of the Subdivision, are owned by Ideal Homes, Inc., the Grantee herein, and it joins in the execution of this instrument to create said Easement for the water pipe line; as to Tract 5.

Right of ingress and egress upon said right-of-way as reasonable and necessary for the purpose of installing said water pipe line, and maintaining the same, is vested in said Osborne Building Corporation, its successors or assigns."; as to Tract 5.

Subject to 4' Sewer Line Easement recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee, and as shown on survey by Hopkins Surveying Group dated January 20, 2009, Drawing No. 2009-006-3; as to Tract 5.

Subject to utility easement as shown, described or noted on plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee and as shown on survey by Hopkins Surveying Group dated January 20, 2009, Drawing No. 2009-006-3; as to Tract 5.

Subject to building line setbacks easement as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, and as shown on survey by Hopkins Surveying Group dated January 20, 2009, Drawing No. 2009-006-3; as to Tract 5.

Subject to the following matters shown on survey by Hopkins Surveying Group dated January 20, 2009, Drawing No. 2009-006-3; as to Tract 5.

- a) Fence encroachment "A";
- b) Fence encroachment "B";
- c) Wall encroachment "C";
- d) Gas line
- e) Underground power line;
- f) Overhead power wire;
- g) Encroachment of curbs and fencing onto Fincher Avenue;
- h) Encroachment of gate onto Fincher Avenue;
- i) Billboard.

Subject to Lease Agreement dated August 15, 2006, by and between Larry Crane (Lessor) and MCC Outdoor LLC d/b/a Fairway Outdoor Advertising (Tenant), recorded in Book 8888, Page 431, as amended in Book 8888, Page 434, in the Register's Office of Hamilton County, Tennessee; as to Tract 5.

Subject to 25' building setback line as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee.; as to Tract 6.

Subject to utility easement along rear lot lines as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee; as to Tract 6.

Subject to Easement for sewer fieldline as set out in instrument recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee; as to Tract 6.

Subject to sewer line easement as set out in instrument recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee; as to Tract 7.

**December 12, 2014**

**10:13 am**

Book and Page: GI 9034 600

Subject to 35' building line easement as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, as to Tract 7.

Subject to easement for utilities as shown, described or noted on plat recorded in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee, as to Tract 7.

Subject to any governmental zoning and subdivision ordinances or regulations in effect thereon.

The grantee herein assumes and agrees to pay all taxes assessed against said real estate for the year 2009.

TO HAVE AND TO HOLD the same unto the said FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company, its successors and assigns, forever in fee simple.

FINCHER INVESTMENTS, LLC, a Tennessee limited liability company, covenants that it is lawfully seized and possessed of said real estate, has full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered, except as hereinabove mentioned, and it will forever warrant and defend the same against all lawful claims.

IN WITNESS WHEREOF, FINCHER INVESTMENTS, LLC, a Tennessee limited liability company, has caused this instrument to be executed by its duly authorized officer as of the 21<sup>st</sup> day of September, 2009.

FINCHER INVESTMENTS, LLC, a Tennessee limited liability company by Developers Investment Company II, Inc., a Tennessee corporation, its Corporate Manager

By: *Joan E. Thurmond*  
Name: Joan E. Thurmond  
Title: Assistant Secretary

December 12, 2011

10:13 am

Book and Page: GI 9034 601

STATE OF TENNESSEE  
COUNTY OF Bradley

On this 7th day of October, 2009, before me personally appeared John E. Thurmond, with whom I am personally acquainted, and who upon oath acknowledged himself/herself to be the Assistant Secretary of DEVELOPERS INVESTMENT COMPANY II, INC., the within named bargainor, a corporation, and that he/she as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself/herself as such officer thereof; and, who, upon oath, acknowledged DEVELOPERS INVESTMENT COMPANY II, INC., a Tennessee Corporation, to be the Corporate Manager of FINCHER INVESTMENTS, LLC, a Tennessee limited liability company, the within named bargainor, a limited liability company, and that it as such Corporate Manager being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by itself as Corporate Manager.

IN WITNESS WHEREOF, I have hereunto set my hand and Notarial Seal.



Debbie Sampley  
Notary Public

My Commission Expires: 02-09-2011

STATE OF TENNESSEE  
COUNTY OF Bradley

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$2,492,255.81, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

John E. Thurmond  
Affiant

Subscribed and sworn to before me on this the 7th day of October, 2009.



Debbie Sampley  
Notary Public

My Commission Expires: 02-09-2011

**December 12, 2014**

**10:13 am**

Address New Owner:	Map-Parcel Number(s):	Send Tax Bills To:
Fincher Real Estate Investors, LLC 3570 Keith Street, NW, Cleveland, TN 37312 ATTN: Joan Thurmond	adjacent to northern boundary of Map 169M, Group M, Parcel 010	Fincher Real Estate Investors, LLC 3570 Keith Street, NW, Cleveland, TN 37312
This instrument prepared by: State of Tennessee, Department of General Services, 312 Rosa L. Parks Boulevard, 22 <sup>nd</sup> Floor, Nashville, Tennessee 37243		

**QUITCLAIM DEED**

TRANSACTION NUMBER 13-06-008

10152

FOR AND IN CONSIDERATION of the sum of One Hundred Eighty Two Thousand and No/100 Dollars (\$182,000), cash in hand paid, and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the **State of Tennessee** ("Grantor"), hereby sells, assigns, and quitclaims to **Fincher Real Estate Investors, LLC** ("Grantee"), Grantee's successors and assigns, the real property described in Exhibit A, which is attached hereto and incorporated herein by reference (the "Property").

This is improved property located at the Southeast quadrant of Ringgold Road and McDonald Road, just west of interstate 75 in East Ridge, Hamilton County, Tennessee.

Being a portion of the property conveyed to the State of Tennessee from Osbourne Building, Inc., by Warranty Deed of record in Book 1379, Page 65, Register's Office for Hamilton County, Tennessee; and being a portion of the property conveyed to the State of Tennessee from Nellie Green by Warranty Deed of record in Book 1367, Page 254, Register's Office for Hamilton County, Tennessee.

Containing a total of 0.837 acres.

STATE OF TENNESSEE COUNTY OF DAVIDSON	
The actual consideration for this transfer is \$ 182,000.	
<p>Subscribed and sworn to before me this <u>23<sup>rd</sup></u> day of <u>September</u>, 2013.</p> <p>Instrument: 2013110500093 Book and Page: 61 10095 821</p> <p>DEED RECORDING FEE \$20.00 DATA PROCESSING FEE \$2.00 CONVEYANCE TAX \$673.40 NOTARY FEE \$1.00 Total Fees: \$696.40 User: DLS Date: 11/5/2013 Time: 11:45:07 AM Contact: Pam Hurst, Register Hamilton County, Tennessee</p>	
<p><i>Andree J. McCallister</i> Affiant</p> <p><i>[Signature]</i> Notary Public My Commission Expires <u>11/01/2013</u></p>	<p>STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY</p>

added to 6600 Ringgold Road

5

**December 12, 2014****10:13 am**

Book and Page: GI 10095, 822

This conveyance is made and accepted subject to the following conditions which will be binding upon the Grantee, its successors and assigns, and shall run with the property in perpetuity:

- (1) No person, on the grounds of sex, handicap, race, color, religion, age, or national origin shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the use of any public accommodations which may be constructed on the Property;
- (2) That in connection with the construction of any improvements on the Property and the furnishings of services thereon, no discrimination shall be practiced and in the selection of employees and contractors, by contractors in the selection and retention of first-tier subcontractors and by first-tier subcontractors in the selection of the retention of second-tier subcontractors;
- (3) That such discrimination shall not be practiced against the public in their access to and use of the facilities and services provided for public accommodations (such as eating, sleeping, rest, recreation, and vehicle servicing) constructed or operated on the Property; and,
- (4) That the Grantee complies with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation Effectuation of title VI of the Civil Rights Act of 1964, and as said regulations may be amended, title 49, code of Federal Regulations, part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities receiving or benefiting from Federal Financial Assistance; and 23 U.S.C., Section 324.
- (5) That this conveyance is subject to any interest a utility may have in the placement and Maintenance of existing utility facilities located on the Property.
- (6) No junkyards, as defined in 23 U.S.C., Section 136 shall hereafter be established or maintained on the Property. No signs, billboards, outdoor advertising structures or advertisement of any kind as provided for in 23 U. S. C., Section 131 shall be hereafter erected, displayed, placed or maintained upon or within the land released, except that signs may be erected and maintained to advertise the sale, hire or lease of the Property, or the principle activities conducted on the land upon which the signs are located.

(Signatures on following page)



**December 12, 2014**

**10:13 am**

c Book and Page: GI 10095 823

IN WITNESS WHEREOF, the Grantor has executed this Deed this 23<sup>rd</sup> day of September, 2013.

**GRANTOR:**

STATE OF TENNESSEE

By:

Robert E. Oglesby, Commissioner of the  
Department of General Services

**APPROVED:**

Robert E. Cooper, Jr. Attorney General

Bill Haslam, Governor

STATE OF TENNESSEE  
COUNTY OF DAVIDSON

Personally appeared before me, the undersigned Notary Public for Davidson County, Robert E. Oglesby, Commissioner of the Department of General Services of the State of Tennessee, with whom I am personally acquainted and who, upon oath, acknowledged that he is the Commissioner of the Department of General Services, and that he as such Commissioner, being authorized so to do, executed the foregoing instrument for the purposes contained therein by signing the name of the State of Tennessee by himself as Commissioner.

Witness my hand and seal at office this the 23<sup>rd</sup> day of September, 2013.

Notary Public

My Commission Expires: 11/07/2013



**December 12, 2014****10:13 am**

Book and Page: GI 10095 824

GLM/glm  
State Project No. N/A  
Hamilton County, Tract No. HP145 & HP145A  
Owner: State of Tennessee  
Grantee: Fincher Real Estate Investors, LLC

**LEGAL Description****EXHIBIT "A"**

Beginning at a point of intersection between the west present right-of-way line of I-75 and the east present right-of-way line of McDonald Road on Highway Project No. I-75-1(6)0, also being 967.69' feet± right of centerline station 59+38, thence along said present right of way line north 10 degrees 32 minutes 46 seconds east 119.76' feet± to a point, being 890.05' feet± right of I-75 centerline station 58+47, thence along proposed right-of-way line north 80 degrees 29 minutes 29 seconds east 350.80' feet± to a point, being 561.14' feet± right of I-75 centerline station 59+70, thence south 80 degrees 02 minutes 36 seconds east 76.02' feet± to a point, being 502.54' feet± right of I-75 centerline station 60+21, thence south 00 degrees 40 minutes 27 seconds east 55.41' feet± to a point, being 529.14' feet± right of I-75 centerline station 60+72, thence along present right-of-way, south 89 degrees 30 minutes 48 seconds west 88.40' feet± to a point being 606.57' feet± right of I-75 centerline station 60+27, thence south 73 degrees 19 minutes 06 seconds west 370.63' feet± to the point of beginning, containing 0.837 ac., more or less.

REFERENCE: The Legal Description contained herein was prepared by the Tennessee Department of Transportation, Region 2, 4005 Cromwell Road, Chattanooga, TN 37421. All references are derived from official plans on file at the Tennessee Department of Transportation, 13th Floor, James K. Polk Building, 505 Deaderick Street, Nashville, TN 37243-0348.

December 12, 2014

10:13 am

Instrument: 1998052800097  
 Book and Page: HI 5102 447  
 Conveyance Tax \$3,367.00  
 Deed Recording Fee \$12.00  
 Probate Fee \$1.00  
 Total Fees: \$3,380.00  
 User: RPARKER  
 Date: 28-MAY-1998  
 Time: 11:11:03 A  
 Contact: Pam Hurst, Register

NAME/ADDRESS OF NEW OWNER(S):	SEND TAX BILLS TO:
East Ridge Retirement Investors	Same
3570 Keith St., NW	
Cleveland, TN 37312	
TAX MAP PARCEL NUMBER(S):	106P-A-018

IN CONSIDERATION of the sum of One Dollar (\$1.00), cash in hand paid, and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged;

I, DON L. SIX, SR., do hereby sell, transfer and convey unto EAST RIDGE RETIREMENT INVESTORS, LLC, a Tennessee Limited Liability Company the following described Real Estate:

**LAND LYING AND BEING IN THE CITY OF EAST RIDGE, HAMILTON COUNTY, TENNESSEE:**

Being the remainder of that property conveyed to Don L. Six, Sr. by Deed of record in Deed Book 2804, page 544, in the Register's Office of Hamilton County, Tennessee, and being more fully described as follows:

Beginning at a point in the Western line of Interstate Highway 75 (on ramp south bound) said point being the Northeastern or Easternmost corner of Lot 1, Don L. Six, Sr. Subdivision as found of record in Plat Book 42, page 27, in the aforesaid Register's Office; run thence along the Eastern lines of aforesaid Interstate Highway 75 the following courses and dimensions: South 51 degrees 09 minutes 53 seconds East, 176.50 feet to a right of way monument; in a curve to the right having a radius of 1435.00 feet, a length of 429.38 feet (said curve being subtended by a chord bearing South 42 degrees 41 minutes 32 seconds East, a length of 427.78 feet) to a right of way monument; thence South 11 degrees 17 minutes 23 seconds East, continuing along said right of way 217.32 feet to a point marking the Northeast corner of Lot 12, revised subdivision of part of McDonald Hills, "Block C" as found of record in Plat Book 16, page 66, in the Register's Office of Hamilton County, Tennessee, thence South 89 degrees 32 minutes 11 seconds West, along the Northern lines of Lots 12, 11 and 10, said Revised Subdivision of part of McDonald Hills, "Block C", a total distance of 230.05 feet to the Southernmost corner of that property conveyed to Life Care Centers of America, Inc. by Deed of record in Deed Book 3527, page 66, in the aforesaid Register's Office; thence North 44 degrees 52 minutes 26 seconds West along the Northeastern line of the aforesaid Life Care Centers of America, Inc. property 225.39 feet to a point therein; thence North 44 degrees 35 minutes 59 seconds West continuing along said line of said Life Care Centers of America, Inc. property 360.35 feet to the Southernmost corner of the aforescribed Lot 1, Don L. Six, Sr. Subdivision; thence along Southern and Eastern lines of Lot 1 the following courses and dimensions: North 87 degrees 06 minutes East, 122.47 feet; North 02 degrees 37 minutes 46 seconds West, 147.78 feet; North 38 degrees 51 minutes East, 90.00 feet all to the point of beginning, all as shown on a survey by David W. Barnes, PLS, dated March 06, 1996, last revised March 29, 1998.

TOGETHER WITH Easements created in Agreement of record in Book 3275, page 136, in the Register's Office of Hamilton County, Tennessee.

Prepared By:  
 Hale, Hale & McInturff  
 Attorneys at Law  
 724 Cherry Street  
 Chattanooga, TN 37402

**December 12, 2014**

**10:13 am**

Book and Page: GI 5102 448

REFERENCE is made for prior title to Deed of record in Book 2804, page 544, in the Register's Office of Hamilton County, Tennessee.  
 SUBJECT TO Agreement of record in Book 3275, page 136, in the Register's Office of Hamilton County, Tennessee.  
 SUBJECT TO Chattanooga Cable TV Company Easement of record in Book 2829, page 766, in the Register's Office of Hamilton County, Tennessee.  
 SUBJECT TO controlled access fence shown on plat of survey prepared by David Barnes Realty Development Co., last revised March 29, 1998.  
 SUBJECT TO Governmental zoning and subdivision ordinances or regulations in effect thereon.

The boundary survey made at the time of this conveyance and from which the within land was described was prepared by David W. Barnes, License No. #270, at address P.O. Box 9235, Chattanooga, Tennessee 37412.

Taxes for the Year 1998 are assumed by the Grantee herein.

TO HAVE AND TO HOLD the said described Real Estate unto the said EAST RIDGE RETIREMENT INVESTORS, LLC., its successors and assigns, forever in fee simple.

I covenant that I am lawfully seized and possessed of said described Real Estate; have good right and lawful authority to sell and convey the same; that the title thereto is clear, free and unencumbered, except as hereinabove set out; and, I will forever warrant and defend the same against all other lawful claims.

And I, MARY MARGARET SIX, wife of DON L. SIX, SR., for good and valuable considerations, the receipt thereof being acknowledged, do hereby join in the execution of this instrument, to release, remise and quitclaim unto the Grantee(s) herein, any right, title, interest, claim or demand that may be vested in me, in and to the above described Real Estate.

IN WITNESS WHEREOF we have hereunto set our hands, on this the 18 day of May, 1998.

Don L. Six, Sr.  
 DON L. SIX, SR.

Mary Margaret Six  
 MARY MARGARET SIX

STATE OF FL  
 COUNTY OF PALE BEACH

On this the 15<sup>th</sup> day of MAY, 1998, before me personally appeared DON L. SIX, SR. and wife, MARY MARGARET SIX, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF I have hereunto set my hand and Notarial Seal.

Madelon S. Toomey  
 NOTARY PUBLIC

My commission expires:  
8/8/99



**December 12, 2014**

**10:13 am**

Book and Page: GI 5102 449

STATE OF TX  
COUNTY OF Hamilton

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$ 910,000.00 which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

[Signature]  
AFFIANT - Grantee

Subscribed and sworn to before me on

this 26 day of May, 1998.

[Signature]  
NOTARY PUBLIC

My commission expires:

9/12/08



**December 12, 2014**

This instrument prepared by  
State of Tennessee  
Department of Transportation  
Legal Office  
Region II - P. O. Box 22368  
Chattanooga, TN 37422-2368

**10:13 am**  
Federal Project No. I-75-1(6)0  
State Project No. N/A  
Hamilton County  
Tracts No. HP 132 and HP 133  
Excess Land  
Inventory No. 4659

**QUITCLAIM DEED**

**ADDRESS OF NEW OWNER:**

**REAL TAX RESPONSIBILITY:**

**MAP PARCEL:**

*MW*  
East Ridge Retirement Investors, LLC  
3570 Keith Street, NW  
Cleveland, TN 37312

Same

No. 169M/010  
Adjacent to the East  
boundary of Map 170P,  
Group A, Parcel 018

KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the sum of  
TWELVE THOUSAND FOUR HUNDRED (\$12,400.00) DOLLARS, cash in hand paid, the  
receipt of which is hereby acknowledged, the **STATE OF TENNESSEE**, acting by its  
**Commissioner of Transportation**, under the authority of Tennessee Code Annotated, Section  
12-2-112(a)(8), hereby Quitclaims unto **East Ridge Retirement Investors, LLC**, its successors  
and assigns, all its right, title and interest, in and to the following described real estate located in  
Hamilton County, Tennessee:

Beginning at a point of intersection between the east property line of East Ridge Retirement Investors, LLC and the west present right of way line and control access fence of Interstate 75 on Highway Project No. I-75-1(6)0, also being 151.91' feet± right of Interstate 75 centerline station 70+29 thence along said present right of way line as follows: south 89 degrees 04 minutes 38 seconds west 56.45' feet± to a point, 203.65' feet± right of Interstate 75 centerline station 70+06, north 12 degrees 20 minutes 55 seconds west 223.44' feet± to a point in the present right of way and control access fence being, 154.26' feet± right of Interstate 75 centerline station 67+85, thence following control access fence, curving to the right in a southeasterly direction an arc length of 9.68' feet± along a non-tangential curve concave southeast having a radius of 1435.00' feet± and a chord bearing of south 35 degrees 17 minutes 48 seconds east 9.68 feet to a point, in the control access fence being 152.64' feet± right of Interstate 75 centerline station 67+95, thence along control access fence and curving to the right in a southeasterly direction an arc length of 231.53' feet± along a non-tangential curve concave southeast having a radius of 41426.34 feet± and a chord bearing of south 25 degrees 12 minutes 58 seconds east 231.53' feet± to a point of beginning containing 6403 square feet or 0.147 ac., more or less.

This conveyance is made and accepted subject to the following conditions which shall be binding upon the Grantees, their successor and assigns, and shall run with the land in perpetuity.

Said conditions are as follows:

- (1) no person, on the grounds of sex, handicap, race, color, religion, age, or national origin shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the use of any public accommodations which may be constructed on the above described land;
- (2) that in connection with the construction of any improvements on said lands and the furnishings of services thereon, no discrimination shall be practiced and in the

Instrument: 201312700032  
 Book and Page: 61 10110 618  
 DEED RECORDING FEE \$15.00  
 DATA PROCESSING FEE \$15.00  
 CONVEYANCE TAX \$12.00  
 PROBATE FEE \$12.00  
 Total Fees \$63.00  
 User: TLF  
 Date: 11/27/2014  
 Time: 9:53:49  
 Contact: Pam Host, Registrar  
 Hamilton County, Tennessee

Federal Project No. I-75-1(6)0  
State Project No. N/A  
Hamilton County  
Tracts No. HP 132 and HP 133

**December 12, 2014****10:13 am**

Page - 2 -

selection of employees and contractors, by contractors in the selection and retention of first-tier subcontractors and by first-tier subcontractors in the selection of the retention of second-tier subcontractors;

- (3) that such discrimination shall not be practiced against the public in their access to and use of the facilities and services provided for public accommodations (such as eating, sleeping, rest, recreation, and vehicle servicing) constructed or operated on the above described land;
- (4) that the Grantees comply with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended, Title 49, Code of Federal Regulations, Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 23 U.S.C., Section 324;
- (5) that this conveyance is subject to any interest a utility may have in the placement and maintenance of existing utility facilities located on the property;
- (6) No junkyards, as defined in 23 U.S.C., Section 136 shall hereafter be established or maintained on land released as excess to highway needs. No signs, billboards, outdoor advertising structures or advertisement of any kind as provided for in 23 U.S.C., Section 131 shall be hereafter erected, displayed, placed or maintained upon or within the land released, except that signs may be erected and maintained to advertise the sale, hire or lease of the property, or the principal activities conducted on the land upon which the signs are located.

REFERENCE: The Legal Description contained herein was prepared by the Tennessee Department of Transportation, Region 2, 4005 Cromwell Road, Chattanooga, TN 37421. All references are derived from official plans on file at the Tennessee Department of Transportation, 13<sup>th</sup> Floor, James K. Polk Building, 505 Deaderick Street, Nashville, TN 37243-0348.

Being part or all of the property acquired by the State of Tennessee by deeds recorded in Books 1391 and 1364, Pages 437 and 79, respectively, in the Register's Office of Hamilton County, Tennessee.

TO HAVE AND TO HOLD the said real estate, together with all improvements thereon, unto East Ridge Retirement Investors, LLC, its successor and assigns, forever.

IN WITNESS WHEREOF, the **STATE OF TENNESSEE**, acting through its Commissioner of Transportation, has caused this instrument to be executed this the 6<sup>th</sup> day of November, 2013.

**STATE OF TENNESSEE**BY: 

JOHN C. SCHROER  
COMMISSIONER OF TRANSPORTATION





December 12, 2011

10:13 am

STATE OF TENNESSEE  
COUNTY OF BRADLEY

Book and Page: GI 5679 158

Before me, James C. Willbanks, Jr., a Notary Public in and for the State and County aforesaid, personally appeared J. Michael Waddell, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **Life Care Centers of America, Inc.**, the within-named bargainor, and that he as such President executed the foregoing instrument for the purposes therein contained, by signing the name of the association by himself as such President.

WITNESS my hand and seal at office, on this 25<sup>th</sup> day of August, 2000.

James C. Willbanks, Jr.  
Notary Public

My Commission Expires:

12/20/2003

## RECORDING DATA ONLY

**Property Address:**  
1500 Fincher Ave.  
East Ridge, TN 37412

<b>State Tax:</b>	\$	0
<b>Register's Fee:</b>		1.00
<b>Document Fee</b>		2.00
<b>Recording Fee:</b>		20.00
<b>Total:</b>		\$23.00

**Mail Tax Bills To** (party or agency responsible for payment of taxes):

East Ridge Medical Investors, LLC  
3001 Keith Street  
Cleveland, Tennessee 37312

T.G.

I hereby swear or affirm that, to the best of my knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is \*\*\$0, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

\*\*Value of the property is \$6,174,599.  
Transfer exempt under Tennessee Code  
Annotated Section 67-4-409(e).

James C. Willbanks, Jr.  
Affiant

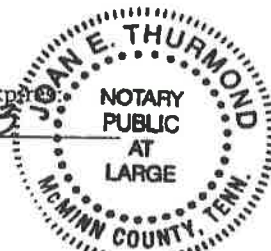
SUBSCRIBED and SWORN TO before me this 20<sup>th</sup> day of Aug., 2000.

John E. Thurmond  
Notary Public

My commission expires

12-20-2003

M MH 544090 v1  
015143-0016 08/22/2000



**December 12, 2014**

**10:13 am**

Book and Page: GI 5679 159

EXHIBIT "A"  
TO  
SPECIAL WARRANTY DEED

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Legal Description

December 12, 2011

**10:13 am**

Book and Page: GI 5679 160

**THIS PAGE (OR THE 3" SPACE BELOW THIS LINE) IS RESERVED FOR USE OF  
FILING OFFICER (DATE, TIME, NUMBER AND FILING OFFICE).**

**December 12, 2011****10:13 am**

Book and Page: GI 5679 161

**LEGAL DESCRIPTION**

LC-023

BEING A TRACT SITUATED IN THE SECOND CIVIL DISTRICT OF HAMILTON COUNTY, TENNESSEE AND A PORTION OF BLOCK "C", MCDONALD HILLS SUBDIVISION, AS SHOWN BY PLAT RECORDED IN PLAT BOOK 15, PAGE 110 (SEE ALSO PLAT BOOK 16, PAGE 66), IN REGISTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERN LINE OF FINCHER AVENUE, SAID POINT BEING LOCATED 150 FEET, MORE OR LESS, NORTHWARDLY FROM THE NORTHERLY RIGHT-OF-WAY OF HILTON DRIVE, SAID POINT BEING THE NORTHWEST CORNER OF LOT NO. 1, BLOCK "C", OF MCDONALD HILLS SUBDIVISION, RECORDED IN PLAT BOOK 16, PAGE 66; THENCE ALONG EASTERN RIGHT-OF-WAY OF FINCHER AVENUE NORTH 04 DEGREES 27 MINUTES EAST, 19.61 FEET TO A POINT; THENCE CONTINUE ALONG SAID LINE OF FINCHER AVENUE NORTH 09 DEGREES 46 MINUTES EAST, 262.20 FEET TO A POINT; THENCE CONTINUE WITH SAID LINE ON A RIGHT HANDED ARC HAVING A RADIUS OF 286.60 AND A CHORD OF NORTH 24 DEGREES 16 MINUTES 56 SECONDS EAST, 133.65 FEET, A DISTANCE OF 135.10 FEET TO A POINT; THENCE CONTINUE ALONG SAID LINE NORTH 38 DEGREES 48 MINUTES 02 SECONDS EAST, 107.35 FEET TO A POINT MARKING THE NORTHWEST CORNER OF LOT NO. 1, DON L. SIX, SR. SUBDIVISION; THENCE WITH WEST LINE OF SAID LOT SOUTH 51 DEGREES 11 MINUTES 56 SECONDS EAST, 100.0 FEET TO THE SOUTHEAST CORNER OF SAID LOT NO. 1; THENCE ALONG DON L. SIX, SR. PROPERTY SOUTH 44 DEGREES 20 MINUTES EAST, 360.65 FEET TO AN ANGLE IN SAID EAST RIDGE RETIREMENT INVESTORS, LLC PROPERTY; THENCE CONTINUE WITH SAID PROPERTY SOUTH 46 DEGREES 20 MINUTES 02 SECONDS EAST 225.77 FEET TO A POINT IN THE NORTH LINE OF LOT NO. 10 OF THE REVISED MCDONALD HILLS SUBDIVISION; THENCE WITH THE NORTH LINE OF SAID SUBDIVISION SOUTH 89 DEGREES 24 MINUTES WEST, 661.55 FEET TO THE POINT OF BEGINNING.

REFERENCE IS MADE FOR PRIOR TITLE TO DEED OF RECORD IN BOOK 3527, PAGE 66, IN THE REGISTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE.

AFTER RECORDING RETURN TO:  
FIDELITY NATIONAL TITLE  
INSURANCE COMPANY  
200 Galleria Pkwy, Suite 1695  
Atlanta, GA 30339

October 12, 2014

10:13 am

Return to  
PIONEER TITLE AGENCY INC  
513 Georgia Avenue  
Chattanooga TN 37403

ADDRESS NEW OWNERS AS FOLLOWS:		SEND TAX BILLS TO:	MAP PARCEL NUMBER
Fincher Real		Same	169M-M-017
(NAME)			
Estate Investors, LLC		Instrument: 2009082800228	
(ENTRY ADDRESS OR ROUTE NUMBER)		Book and Page: G1 9007 200	
6521 Ringgold Road		DEED RECORDING FEE	\$16.00
(CITY) (STATE) (ZIP)		DATA PROCESSING FEE	\$2.00
East Ridge, TN 37412		CONVEYANCE TAX	\$462.50
		PROBATE FEE	\$1.00
		Total Fees:	\$475.50

PTA 114413

## WARRANTY DEED

IN CONSIDERATION of One (\$1.00) Dollar and other valuable considerations paid, the receipt of all of which is hereby acknowledged, we, LOUIS A. BUQUO and wife, SHARON BUQUO (erroneously referred to as Louis A. Buguo and wife, Sharon Buguo in Deed of Acquisition) do hereby sell, transfer and convey unto FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company the following described real estate located in the Second Civil District of Hamilton County, Tennessee:

Lot Seventeen (17), Block A, Revised Subdivision of part of McDonald Hills, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee.

The source of Grantors interest is found in Deed recorded in Book 7032, Page 185, in the Register's Office of Hamilton County, Tennessee.

Subject to twenty-five (25) foot building setback line as shown, described or noted on recorded plat.

Subject to utility easement along rear lot lines as shown, described or noted on recorded plat.

Subject to easement for sewer fieldline as set out in instrument recorded in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee.

Subject to any governmental zoning and subdivision ordinances or regulations in effect thereon.

The grantee herein assumes and agrees to pay all taxes assessed against said real estate for the year 2009.

TO HAVE AND TO HOLD the same unto the said FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company, its successors and assigns, forever in fee simple.

We covenant that we are lawfully seized and possessed of said real estate, have full power and lawful authority to sell

Prepared By  
WILLIAM DAVID JONES  
ATTORNEY AT LAW  
513 Georgia Avenue  
CHATTANOOGA, TN 37403

December 12, 2014

10:13 am

Book and Pages: GI 9007 201

and convey the same, that the title thereto is clear, free and unencumbered, except as hereinabove mentioned, and we will forever warrant and defend the same against all lawful claims.

WITNESS our hands on this the 27th day of August, 2009.

Louis A. Buquo  
LOUIS A. BUQUO  
Sharon Buquo  
SHARON BUQUO

STATE OF TENNESSEE  
COUNTY OF HAMILTON

On this the 27th day of August, 2009 before me personally appeared LOUIS A. BUQUO and SHARON BUQUO to me known (or proved to me on the basis of satisfactory evidence) to be the persons who executed the foregoing instrument in behalf of themselves, acknowledged that they executed the same as their free act and deed.

WITNESS my hand and Notarial Seal

Sandy Jolley  
Notary Public

My Commission Expires: 7-21-10



STATE OF TENNESSEE  
COUNTY OF HAMILTON

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$ 125,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

Sharon Buquo  
Affiant

Subscribed and sworn to before me on this the 27th day of August, 2009.

Sandy Jolley  
Notary Public

My Commission Expires: 7-21-10





October 12, 2014

10:13 am

Return to  
PIONEER TITLE AGENCY, INC.  
513 Georgia Avenue  
Chattanooga, TN 37403

114668		ADDRESS NEW OWNERS AS FOLLOWS:		SEND TAX BILLS TO:		MAP PARCEL NUMBER	
FINCHER REAL ESTATE INVESTORS, LLC						169M-M-018	
(NAME)		(NAME)					
3570 Keith Street, NW		same					
(STREET ADDRESS OR ROUTE NUMBER)				(STREET ADDRESS)			
Cleveland, TN 37312				Instrument: 2009102000163			
(CITY)	(STATE)	(ZIP)	(CITY)	BOOK AND PAGE: 61-9040-523			
				DEED RECORDING FEE \$10.00			
				DATA PROCESSING FEE \$2.00			
				CONVEYANCE TAX \$407.00			
				PROBATE FEE \$1.00			
				Total Fees: \$420.00			
				User: HCDCAKHoward			
				Date: 10/20/2009			
				WARRANTY: 4715220 PM			
				Contact: Pam Hurst, Register			
				Hamilton County, Tennessee			

PTA 114668

File: PTA1

106964

Prepared By  
WILLIAM DAVID JONES  
ATTORNEY AT LAW  
513 Georgia Avenue  
CHATTANOOGA, TN 37403

IN CONSIDERATION of One (\$1.00) DOLLAR and other valuable considerations paid, the receipt of all of which is hereby acknowledged, I, PATRICIA A. McNABB, unmarried, do hereby sell, transfer and convey unto FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company, the following described real estate located in the Second Civil District of Hamilton County, Tennessee:

Lot Sixteen (16), Block "A", Revised Subdivision of part of McDonald Hills Subdivision, as shown by plat of record in Plat Book 16, Page 66, in the Register's Office of Hamilton County, Tennessee.

The source of Grantor's interest is found in Deed recorded in Book 2755, Page 778, in the Register's Office of Hamilton County, Tennessee.

Subject to restrictions as set out in instrument recorded in Book 1036, Page 710, as amended in Book 1241, Page 320, in the Register's Office of Hamilton County, Tennessee.

Subject to thirty-five (35) foot building setback line as shown on recorded plat, as waived in Book 1241, Page 320, in the Register's Office of Hamilton County, Tennessee.

Subject to utilities easements as shown, described or noted on recorded plat.

Subject to sewer line easement of record in Book 1225, Page 326, in the Register's Office of Hamilton County, Tennessee.

Subject to agreement with water company of record in Book 2056, Page 977, in the Register's Office of Hamilton County, Tennessee.

Subject to any governmental zoning and subdivision ordinances or regulations in effect thereon.

The grantee herein assumes and agrees to pay all taxes assessed against said real estate for the year 2009.

TO HAVE AND TO HOLD the same unto the said FINCHER REAL ESTATE INVESTORS, LLC, a Tennessee limited liability company, its successors and assigns, forever in fee simple.

October 12, 2014

10:13 am

Book and Page: GI 9040 524

I covenant that I am lawfully seized and possessed of said real estate, have full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered, except as hereinabove mentioned, and I will forever warrant and defend the same against all lawful claims.

WITNESS my hand on this the 16<sup>th</sup> day of

October, 2009.

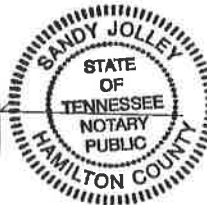
Patricia A. McNabb  
PATRICIA A. McNABB, unmarried

STATE OF TENNESSEE  
COUNTY OF HAMILTON

On this the 16<sup>th</sup> day of October, 2009 before me personally appeared PATRICIA A. McNABB to me known (or proved to me on the basis of satisfactory evidence) to be the person who executed the foregoing instrument in behalf of herself, acknowledged that she executed the same as her free act and deed.

WITNESS my hand and Notarial Seal.

Sandy Jolley  
Notary Public



My Commission Expires: 7-21-10

STATE OF TENNESSEE  
COUNTY OF HAMILTON

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$ 110,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

William D. Jones, agent  
Affiant

Subscribed and sworn to before me on this the 16th day of October, 2009.

Sandy Jolley  
Notary Public



My Commission Expires: 7-21-10



## **ATTACHMENT 2**

### **Section C, Economic Feasibility, Item 10**

**Current Balance Sheet and Income Statement  
For East Ridge Retirement Medical Investors, LLC**

**December 12, 2014**

**10:13 am**

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12/10/14  
15:13

716  
0006

EAST RIDGE-SFS  
EAST RIDGE  
Statement of Income - YTD  
October 31, 2014

DESCRIPTION	YTD	PER DAY	BUDGETED YTD	PER DAY	PRIOR YEAR YTD	PER DAY	BUDGET VARIANCE	PRIOR YEAR VARIANCE
REVENUES								
OTHER OPERATING REVENUE	601,125				588,746		601,125	12,379
GROSS REVENUE	601,125				588,746		601,125	12,379
NET REVENUE	601,125				588,746		601,125	12,379
OPERATING EXPENSES								
R & M	8,312						8,312-	8,312-
PROP/LIAB INSURANCE	42,963				29,308		42,963-	13,655-
TAXES	89,188				90,825		89,188-	1,637
OTHER EXPENSES	12,809				4,874		12,809-	7,935-
TOTAL OPERATING EXPENSES	153,272				125,007		153,272-	28,265-
OPERATING MARGIN	447,853				463,739		447,853	15,886-
OPERATING MARGIN %	74.50 %				78.77 %		75	4-
NON OPERATING EXPENSES								
DEPRECIATION & AMORT	231,281				244,976		231,281-	13,695
INTEREST EXP	190,331				260,016		190,331-	69,685
OTHER EXPENSES					105,297			105,297
TOTAL NON OPERATING EXP	421,612				610,289		421,612-	188,677
PRE TAX PROFIT	26,241				146,550-		26,241	172,791

December 12, 2014

10:13 am

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12/10/14  
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EAST RIDGE-SPE  
EAST RIDGE  
Comparative Balance Sheet  
October 31, 2014

0007

ACCOUNT DESCRIPTION	NET ACTIVITY FOR MONTH	CURRENT BALANCE	PREVIOUS YEAR END	INCREASE/ DECREASE-
CASH				
ACCOUNTS & NOTES RECEIVABLE				
PATIENT RECEIVABLES				
ALLOWANCE FOR BAD DEBTS				
OTHER ACCOUNTS RECEIVABLE				
NOTES RECEIVABLE				
SUPPLIES & OTHER CURRENT				
PREPAID PROP INSUR	1,719.95-	3,439.90		2,439.90
PREPAID OTHER INSUR	2,659.20-	18,614.40	12,467.50	6,146.90
TOTAL SUPPLIES/OTHER CURRENT	4,379.15-	22,054.30	12,467.50	9,586.80
TOTAL CURRENT ASSETS	4,379.15-	22,054.30	12,467.50	9,586.80
LAND & IMPROVEMENTS				
LAND				
LAND IMPROVEMENTS				
TOTAL LAND & IMPROVEMENTS		1,208,022.62	1,208,022.62	
BUILDING & IMPROVEMENTS				
BUILDINGS				
BUILDING IMPROVEMENTS	35,017.55	3,856,161.80	3,856,161.80	35,017.55
TOTAL BLDGS & IMPROVEMENTS	35,017.55	686,410.24	651,392.69	35,017.55
EQUIPMENT, FURN & FIXTURES				
EQUIPMENT & FURNITURE	14,650.83	1,731,369.49	1,686,114.32	45,255.17
TOTAL EQUIP, FURN & FIXTURES	14,650.83	1,731,369.49	1,686,114.32	45,255.17
LEASED PROP UNDER CAP LEASE				
ACCUMULATED DEPRECIATION				
ACCUM DEPR LAND IMPROVE	1,187.84-	323,415.66-	311,537.21-	11,878.45-
ACCUM DEPR BUILDINGS	10,783.59-	3,304,543.31-	3,196,707.06-	107,836.25-
ACCUM DEPR BLDG IMPROVE	3,051.49-	389,999.56-	359,236.26-	30,763.30-
ACCUM DEPR EQUIP/FURNIT	6,367.59-	1,329,703.11-	1,260,261.56-	69,441.55-
TOTAL ACCUMULATED DEPR	21,390.51-	5,347,661.64-	5,127,742.09-	219,919.55-
NET PROPERTY & EQUIPMENT	28,277.87	2,134,302.51	2,273,949.34	139,646.83-
OTHER LONG-TERM ASSETS				
MISC RESTR FND-TAX ESCROW	8,153.79	101,370.86	19,706.36	81,664.50
MISC RESTR FND-REPLACEMENT RSV	20,484.93-	93,556.36	101,578.82	8,022.46-
MISC RESTR FND-INSURANCE ESCRO	1,719.95	20,198.37	24,110.81	3,912.44-
MISC RESTR FND-MISC ESCROW	2,659.20	12,582.37	18,528.90	5,946.53-

EAST RIDGE-SPE  
EAST RIDGE  
Comparative Balance Sheet  
October 31, 2014

PAGE 2  
12/10/14  
15:13

0007

ACCOUNT DESCRIPTION	NET ACTIVITY FOR MONTH	CURRENT BALANCE	PREVIOUS YEAR END	INCREASE/ DECREASE-
MISC RESTRICTED FUNDS	3.10	20,975.03	20,943.62	31.41
TOTAL OTHER ASSETS	7,948.89-	248,682.99	184,868.51	63,814.48
LONG-TERM A/R				
INTANGIBLE ASSETS				
DEFERRED FINANCING COSTS		88,252.34	88,252.34	
TOTAL INTANGIBLE ASSETS		88,252.34	88,252.34	
ACCUMULATED AMORT OTH ASSETS	498.18-	8,556.93-	3,575.10-	4,981.83-
ACCUM AMORT DEF FIN COSTS	498.18-	8,556.93-	3,575.10-	4,981.83-
TOTAL ACCUMULATED AMORTIZTN		328,378.40	269,545.75	58,832.65
NET OTHER ASSETS	8,447.07-			
INTERCOMPANY				
LCCA DUE TO/FROM - OWNED	6,030.38	654,012.51	711,708.71	57,696.20-
TOTAL INTERCOMPANY	6,030.38	654,012.51	711,708.71	57,696.20-
TOTAL ASSETS	21,482.03	3,138,747.72	3,267,671.30	128,923.58-

**SUPPLEMENTAL #4**

**December 12, 2014**

**10:13 am**

DEC 12 10:13 AM '14

December 12, 2014

10:13 am

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12/10/14  
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EAST RIDGE-SPE  
EAST RIDGE  
Comparative Balance Sheet  
October 31, 2014

0007

ACCOUNT DESCRIPTION	NET ACTIVITY FOR MONTH	CURRENT BALANCE	PREVIOUS YEAR END	INCREASE/ DECREASE-
ACCOUNTS PAYABLE	300.00-			
TRADE ACCOUNTS PAYABLE	24,832.77	59,290.55	28,211.63	31,078.92
A/P-RELATED PARTY				
TOTAL ACCOUNTS PAYABLE	24,532.77	59,290.55	28,211.63	31,078.92
ACCURED SALARIES				
ACCURED OTHER EXPENSES				
REAL ESTATE TAX PAYABLE	7,922.35	79,223.54		79,223.54
PERSONAL PROP TAX PAYABLE	639.12	6,391.21		6,391.21
TOTAL ACCURED OTHER EXPENSES	8,561.47	85,614.75		85,614.75
INCOME TAXES				
FRANCHISE/EXCISE TAX PAY			1,555.00	1,555.00-
TOTAL ACCURED EXPENSES	8,561.47	85,614.75	1,555.00	84,059.75
NOTES PAYABLE				
CRNT MATURITIES OF L/T DEBT				
MORTGAGE PAY		183,359.12	183,359.12	
TOTAL CURRENT MATURITIES		183,359.12	183,359.12	
TOTAL CURRENT LIABILITIES	33,094.24	328,264.42	213,125.75	115,138.67
LONG TERM DEBT				
MORTGAGE PAY	15,452.36-	5,626,579.13	5,776,883.67	152,304.54-
TOTAL LONG-TERM DEBT	15,452.36-	5,626,579.13	5,776,883.67	152,304.54-
DEFERRED INCOME TAXES & OTHER				
PETRI'S CAR/STOCKHOLDERS EQUITY				
INVESTMENT IN SPE/MEMBER		499,915.08-	381,915.08-	118,000.00-
EARNED CAPITAL/RET'D EARNINGS		2,335,096.49-	2,335,096.49-	
DIVIDENDS		7,326.55-	7,326.55-	
Y-T-D NET INCOME (LOSS)	3,840.15	26,242.29		26,242.29
TOTAL PRNR/CAP/RET EARNINGS	3,840.15	2,816,095.83-	2,724,338.12-	91,757.71-
TOTAL LIABILITIES & EQUITY	21,482.03	3,138,747.72	3,267,671.30	128,923.58-

**December 12, 2014**

**10:13 am**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BRADLEY

NAME OF FACILITY: LIFE CARE CENTER OF EAST RIDGE

I, Joan E. Thurmond, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith in the attached letter, and that it is true, accurate, and complete.

Life Care Centers of America, Inc.

By: Joan E. Thurmond  
Joan E. Thurmond, Assistant Secretary

Sworn to and subscribed before me, a Notary Public, this the 11th day of December, 2014, witness my hand at office in the County of Bradley, State of Tennessee.

Jaime E. Sipe  
NOTARY PUBLIC

My commission expires 6/6/17.



# Supplemental #5 -Original-

Life Care Center of East  
Ridge

CN1410-044



**December 17, 2014**

**10:25 am**

3001 Keith Street, NW / P.O. Box 3480 / Cleveland, Tennessee 37320-3480  
(423) 472-9585 / WWW.LCCA.COM

December 16, 2014

**VIA FEDERAL EXPRESS**

State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building  
502 Deaderick Street – 9<sup>th</sup> Floor  
Nashville, Tennessee 37243

ATTN: Phillip M. Earhart  
HSD Examiner

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Mr. Earhart:

Please find enclosed, in triplicate, the Supplemental Information requested in connection with Certificate of Need Application CN1410-044 for the proposed Relocation for the above referenced project.

I would note that while I did receive your request electronically; however, I still have not received the original via mail service. With that in mind, I submit the following for your review:

1. Attached letter from Bank of Texas issued to East Ridge Medical Investors, LLC acknowledging that they will issue a loan in favor of this entity.
2. As part of the financing with Bank of Texas, we will pay off our current mortgage with HUD. The amount of the current mortgage on the building is \$5,825,391. Therefore, HUD will not be involved in the future financing of the building. The party that is responsible for the repayment of this loan is East Ridge Medical Investors, LLC. East Ridge Medical will be able to meet this financing obligation, as well as that of Bank of Texas, through lease income of the future operator/tenant once the new facility is operational.



**December 17, 2014**

**10:25 am**

Phillip M. Earhart  
December 16, 2014  
Page 2 of 2

Thank you in advance for your assistance. If you should have any questions, please contact me at (423) 473-5867.

Sincerely,



Cindy S. Cross  
Assistant Secretary

CSC/jes  
Enclosure

cc: Richard McAfee  
Ed Day  
Dan Elrod, Esquire

**December 17, 2014****10:25 am**

Bank of Texas, N.A.  
Healthcare Banking  
5956 Sherry Lane, Suite 1100  
Dallas, Texas 75225

[www.bankoftexas.com](http://www.bankoftexas.com)

Bianca Andujo  
Bank of Texas  
5956 Sherry lane #700  
Dallas TX 75209

December 16, 2014

East Ridge Medical Investors, LLC  
Forrest L. Preston  
3570 Keith Street, NW  
Cleveland, Tennessee 37312

RE: Life Care Center of East Ridge

Dear Forrest:

We are excited to discuss the opportunity to finance the replacement of your facility in East Ridge, Tennessee. This sounds like an exciting project that will clearly serve the East Ridge area well by delivering the care and services that today's seniors need and desire. As you are aware, Bank of Texas has successfully worked with you and your companies over the past several years and has provided you with financing for multiple projects.

Subject to your adhering to our applicable underwriting criteria, we are interested to work with you on the replacement of Life Care Center of East Ridge. Based on our typical loan parameters, we anticipate that the project can support a loan sufficient to fund up to 100% of the costs which you anticipate to be \$24,874,400. The interest rate would be established at closing, but would be approximately 4% if we closed today. The loan term would be 5 years with interest only during construction and lease-up. I know you are aware of our construction financing process and our capabilities based on our previous successful experiences with one another.

Bank of Texas looks forward to reviewing your loan proposal once you have obtained the necessary Certificate of Need from the State.

Sincerely,

A handwritten signature in cursive script that reads 'Bianca Andujo'.

Bianca Andujo  
Sr. Vice President

**December 17, 2014**

**10:25 am**

# AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF BRADLEY

NAME OF FACILITY: LIFE CARE CENTER OF EAST RIDGE

I, Cindy S. Cross, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith in the attached letter, and that it is true, accurate, and complete.

Life Care Centers of America, Inc.

By:

Cindy S. Cross, Assistant Secretary

Sworn to and subscribed before me, a Notary Public, this the 16th day of December, 2014,  
witness my hand at office in the County of Bradley, State of Tennessee.

NOTARY PUBLIC

My commission expires 26/6/17





**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax:615/532-9940

October 17, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of Eastridge

Dear Ms. Cross:

This will acknowledge our October 14, 2014 receipt of your application for a Certificate of Need for the replacement of Life Care Center of Eastridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 4:00 p.m., Friday, October 24, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section A. 6 (Site Control)**

The draft facility lease agreement is noted. The Agency will need a fully executed (signed by both parties) lease agreement, or a fully executed (signed by both parties) option to lease which demonstrates the applicant has a legitimate legal interest in the property on which it intends to locate the project. A fully executed (signed by both parties) Option to Lease must at least include the expected term of the lease and the anticipated lease payments.

**2. Section A. 11 (Medicaid Provider Number)**

Since the applicant's bed complement chart indicates that the 108 beds will be Medicare-certified only, please explain how the applicant expects to obtain a Medicaid Provider Number. Additionally, according to a TennCare representative in response from an inquiry by Melanie Hill, HSDA Executive Director, nursing homes are explicitly prohibited from serving a subset of Medicaid applicants and if they participate in the Medicaid program, must serve all Medicaid residents, regardless of level of reimbursement.

Please explain how the applicant expects to be Medicaid certified for Level II only.

**3. Section A. 13 (TennCare Participation)**

Please explain why the applicant intends to be Medicaid certified but not treat TennCare patients.

**4. Section B, Project Description, Item I**

The applicant has requested three years to complete the proposed project. Please provide the reasons for the additional year being requested. If the current facility is to close during construction, please clarify how the applicant intends to retain its licensure status until the opening of the new facility.

Please discuss in detail the transition process of the nursing home residents from the current nursing home to the proposed nursing home.

If the proposed facility does not overlap the site of the current facility, please explain how the land located under and around the existing facility will be utilized after demolition of the current facility.

Did the applicant consider designing the facility in a manner consistent with the Greenhouse concept/Eden alternative? Please explain.

Can the dining area seat 108 residents in one sitting? Please explain.

The applicant reports the current facility only has 4 private rooms. However, the 2012 Joint Annual Report for the applicant reports 13 private rooms. Please clarify.

**5. Section B, Project Description, Item II.A.**

The codes letter in the attachment is noted. However, please clarify if the newly constructed nursing home will be fully sprinkled.

**6. Section C. Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (2) (a.)**

Your response to this item is noted. Please compare the cost of the renovation project to the cost of the replacement projects in cost per bed terms.

**7. Section C. Need, Item 2**

The long range goals of the applicant are noted. Please clarify if the proposed facility is designed in a manner to expand in the future.

**8. Section C. Need, Item 6**

Table 7 on page 25 is noted. However, please clarify why the applicant reduced licensed beds from 160 to 130 from the year 2011 to 2012.

The average daily census of 100.8 in 2011 and 71.9 in 2014 is noted. Why did the average daily census drop 40% during this time period?

What year does the applicant expect to reach 90% for the new proposed 108 bed facility?

**9. Section C, Economic Feasibility, Item 1 (Project Cost Chart)**

What is included in the \$1,800,000 Preparation of Site cost?

The Preparation of Site Cost is \$1,800,000 in the Project Costs Chart and \$1,500,000 in the letter from the Architect outlining the estimated construction costs, a difference of \$300,000. Please clarify.

**10. Section C, Economic Feasibility, Item 2**

Please submit a revised letter from the Bank of Texas which indicates the proposed loan amount.

**11. Section C, Economic Feasibility, Item 3**

Your response pertaining to the construction cost per square foot is noted. HSDA construction costs are noted in the table provided below from the "Applicant's Toolbox" on the HSDA website. Please clarify the reason the applicant's construction cost per square foot of \$185.00 is above the 3<sup>rd</sup> quartile for new construction.

**Nursing Home Construction Cost Per Square Foot**

**Years: 2011 – 2013**

	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
<b>1<sup>st</sup> Quartile</b>	\$25.00/sq ft	\$152.80/sq ft	\$94.55/sq ft
<b>Median</b>	\$55.00/sq ft	\$167.31/sq ft	\$152.80/sq ft
<b>3<sup>rd</sup> Quartile</b>	\$101.00/sq ft	\$176.00/sq ft	\$167.61/sq ft

*Source: CON approved applications for years 2011 through 2013*

**12. Section C, Economic Feasibility, Item 4 (Historical Data Chart)**

There appears to be errors in the Total Operating Expenses columns for the years 2011-2013. Also, the applicant incorrectly refers to page 31 in line D.9. Please make the necessary corrections and submit a revised Historical Data Chart.

**13. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

The Projected Data Chart is noted. The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised Projected Data Chart provided at the end of this request for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information

technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

**14. Section C, Economic Feasibility, Item 5**

The average gross charge, average deduction from operating revenue and the average net charge per patient day are noted. However, there appears to be calculation errors in year 2. Please revise.

**15. Section C, Economic Feasibility, Item 8**

The loss of \$2.4 million dollars in Year One of the proposed project is noted. In Year 3 of the proposed project, the applicant will begin the year with a combined net loss of \$2,280,975 from Year 1 and Year 2 of the project. When does the applicant expect to break even with this project? Also, please demonstrate the availability of cash for continued operations while operating with net losses.

**16. Section C. (Economic Feasibility) Item 9.**

Please complete the following chart for the first year of operation

Payor	Gross Revenue	% of Total Revenues
Medicare		
Medicaid/TennCare		
Commercial insurance		
Self-Pay		
Total		

**17. Section C, Economic Feasibility, Item 10**

Please provide the most recent audited financial statements for Life Care Centers of America, Inc. with accompanying notes, if available.

Please complete the following table for Life Care Centers of America, Inc.'s capital projects for the past five years.

Project Name	State	Capital Cost	Date/Expected Date of Completion
#1			
#2			
Etc.			
Total			

**18. Section C, Economic Feasibility, Item 11.a and 11.b.**

The alternatives to this project are noted. However, it appears the 2012 Occupancy Rates of the 4 Life Care Nursing Homes in Hamilton County ranged from 71.5% to 84.5%. In addition, the applicant plans to transition the existing patients of Life Care of East Ridge to Life Care Center of Collegedale (licensed occupancy 71.5% in 2012), and will not be providing care to any Hamilton County nursing home patients for

almost 3 years. With this in mind has the applicant considered as an alternative not rebuilding and closing Life Care of East Ridge?

**19. Section C. Orderly Development, Item 2**

The applicant states Level 1 patients will be encouraged to transfer to Life Care Center of Collegedale. What is the current capacity and occupancy at the Life Care Center of Collegedale?

**20. Section C. Contribution to the Orderly of Health Care, Item 3**

Please clarify if the 18 physical therapists and 12 occupational therapists include aides and assistants. If so, please break-out the totals.

Please clarify why Social Workers and Recreational Therapists were not included in the anticipated staffing pattern.

Please clarify why the applicant needs more staff for a smaller facility.

**21. Section C. Contribution to the Orderly of Health Care, Item 7.b**

Please clarify if there has been any Joint Commission surveys conducted since May 2012. If so, please provide a copy.

**22. Project Completion Forecast Chart**

It appears the applicant incorrectly anticipated the commencement of the building construction in January 2015. Please revise and resubmit a Project Completion Forecast Chart.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014. If this application is not deemed complete by this date, the application will be deemed void.**

Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Phillip M. Earhart", written in a cursive style.

Phillip M. Earhart  
HSD Examiner

Enclosures

### PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in \_\_\_\_\_ (Month).

	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____
B. Revenue from Services to Patients		
1. Inpatient Services	\$ _____	\$ _____
2. Outpatient Services	_____	_____
3. Emergency Services	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____
<b>Gross Operating Revenue</b>	<b>\$ _____</b>	<b>\$ _____</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____
3. Provisions for Bad Debt	_____	_____
<b>Total Deductions</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING REVENUE</b>	<b>\$ _____</b>	<b>\$ _____</b>
D. Operating Expenses		
1. Salaries and Wages	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____
3. Supplies	_____	_____
4. Taxes	_____	_____
5. Depreciation	_____	_____
6. Rent	_____	_____
7. Interest, other than Capital	_____	_____

8. Management Fees:		
a. Fees to Affiliates	_____	_____
b. Fees to Non-Affiliates	_____	_____
9. Other Expenses – Specify	_____	_____
<b>Total Operating Expenses</b>	<b>\$_____</b>	<b>\$_____</b>
E. Other Revenue (Expenses) -- Net (Specify) _____	<b>\$_____</b>	<b>\$_____</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$_____</b>	<b>\$_____</b>
F. Capital Expenditures		
1. Retirement of Principal	<b>\$_____</b>	<b>\$_____</b>
2. Interest	_____	_____
<b>Total Capital Expenditures</b>	<b>\$_____</b>	<b>\$_____</b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$_____</b>	<b>\$_____</b>



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax:615/532-9940

October 28, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

This will acknowledge our October 14, 2014 receipt of your application for a Certificate of Need for the replacement of Life Care Center of East Ridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 12:00 p.m., Thursday, October 29, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section B, Project Description, Item I**

The applicant states there are approximately 18 Level I (SNF) patients in the current facility. Please clarify if the applicant meant to state 18 Level I (NF) patients.

**2. Section C. Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (2) (a.)**

The comparison of the cost of the renovation project to the cost of the replacement projects in cost per bed terms is noted. However, it appears the cost per bed is \$137,380. Please clarify.

**3. Section C, Economic Feasibility, Item 1 (Project Cost Chart)**

In the supplemental response the applicant states the site will require significant fill to be imported to raise the finish floor level 4-6 feet above the 100 year flood level. Please address the following in relation to the 100 year flood level:

- Please clarify if the current building site will meet current Hamilton County/FEMA floodplain requirements.

- Please clarify why the new site is now needed to be elevated 4-6 feet while it appears the former site was not.
- Please define a 100 year floodplain level.
- Has the existing nursing home ever flooded?
- Please clarify if all of the 14.6 acres are included in the 100 year floodplain level. If not, what is the designation of the remainder?
- If a 100 year flood occurs, will access roads be built for the safe evacuation of patients?

**4. Section C, Economic Feasibility, Item 4 (Historical Data Chart)**

There appears to be an error in the Total Operating Expenses column for the year 2013. The total should be \$11,373,294 not \$11,379,294. Please revise.

**5. Section C, Economic Feasibility, Item 5**

The average gross charge, average deduction from operating revenue and the average net charge per patient day are noted. However, there appears to be calculation errors in year 2 for the average deduction. Please revise.

**6. Section C, Economic Feasibility, Item 10**

Life Care's refusal to submit financial statements is noted. Audited financial statements with accompanying notes are used to demonstrate the financial feasibility of a project. They are especially important when an applicant has multiple projects under construction. More information is needed to determine whether this project is financially feasible.

Bank of Texas Senior Vice President Bianca Andujo's funding letter indicates the \$24,874,400 project will be funded by a 100% bank loan over a 5 year period with interest only payments during construction and lease up. The letter noted a current interest rate of 4%.

Decosimo CPA Renee B. Ford's October 6, 2014 letter notes the project will be bank-financed over five years, requiring total principal and interest payments of approximately \$995,000 per year and a balloon payment of approximately \$23.9 million which will be refinanced. Ms. Ford's letter also notes the net cash flows from the 2011-2013 audited financial statements were substantially in excess of the debt service of the operating capital needed for East Ridge and the approximately \$7.5-8.5 million for the several new skilled facilities under construction and in fill-up stages during 2014-2015.

- 1) Please provide more detailed information regarding the number and location of projects currently under construction and the total debt service associated with those projects.
- 2) Please address the details regarding the proposed refinancing of the 23.9 million balloon payment. Will interest only payments be required during construction and lease up or will the \$995,000 annual payment include principal and interest?

- 3) Will the \$995,000 be paid each year for 5 years plus the 23.9 million balloon payment or will it be paid for 4 years plus the balloon payment?
- 4) Since the balloon payment is to be refinanced, what is the true cost of the replacement facility?
- 5) How many of Life Care's previous projects have been financed in this manner?
- 6) Please submit documentation that Life Care has the financial resources to operate this project. As previously indicated, recent audited financial statements with accompanying notes are requested as a way to demonstrate financial feasibility.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014.**

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Ms. Cindy Cross  
October 28, 2014  
Page 4

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in cursive script, reading "Phillip M. Earhart". The signature is written in dark ink and is positioned above the printed name.

Phillip M. Earhart  
HSD Examiner

Enclosures



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November 12, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

This will acknowledge our October 30, 2014 receipt of your supplemental response for a Certificate of Need for the replacement of Life Care Center of East Ridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 12:00 p.m., Tuesday, November 18, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section C, Economic Feasibility, Item 10**

Life Care's refusal to submit financial statements is further noted. A letter dated October 30, 2014 from Decosimo Certified Public Accountants in Supplemental #2 indicates the Agency requested three financial ratios in connection with the Life Care Center of East Ridge application. To clarify, the Agency is requesting the most recent audited financial statement with accompanying results in order to demonstrate the financial feasibility of the project, not only three financial ratios.

Attached is a transcript from the Agency meeting dated May 23, 2012 for the applicant's most recent project, Colonial Hills Nursing Home, CN1202-003A. In the Colonial Hills Nursing Home transcript, an Agency member is documented as requesting the consolidated financial statements for Life Care Centers of America, Inc. which were not available in the Colonial Hills Nursing Home application. In order to evaluate the financial feasibility of the proposed project, Agency members will need to



evaluate Life Care of America, Inc's most recent audited financial statement with accompanying results. Please see the attached excerpts from the May 23, 2012 Agency meeting.

The applicant has stated that Life Care is a privately held company and is not required by law to make its financial statements public. Please cite and document the law that supports Life Care's contention that it is not required to comply with the Tennessee CON application's request for the most recent audited statement, and accompanying notes.

In addition, there appears to be an ongoing Medicare investigation into Life Care Centers of America, Inc. Please provide an overview of the allegations, status, and its possible impact upon the financial outlook of Life Care Centers of America, Inc. Please also include any state and federal penalties assessed since January 1, 2011 and the amount of those penalties.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Phillip M. Earhart", is written over the printed name.

Phillip M. Earhart  
HSD Examiner

Enclosures

1 six and I'm talking about managerial types,  
2 whether it's healthcare management or  
3 businesses manager, how many of those people  
4 are still employed in the Life Care  
5 organization?

6 DR. SCOTT: Ken Scott,  
7 corporate medical director. I'm trying to  
8 think through that. Pretty much I think  
9 there's one regional vice president in the  
10 line of that that is still employed. The ED  
11 is gone. The divisional director for the  
12 Tennessee area has been replaced. The chief  
13 operating officer has been replaced. So, all  
14 the way up those positions were replaced.

15 MR. DOOLITTLE: Okay.

16 DR. SCOTT: There's one  
17 regional vice president still.

18 MR. DOOLITTLE: Okay. I have  
19 a second question and it has to do with  
20 financing of the facility, which perhaps  
21 there's someone else that -- I apologize for  
22 my terrible cold. I sound like a frog.

23 MR. PIGG: Mike Pigg,  
24 Life Care controller.

25 MR. DOOLITTLE: Mr. Pigg?

1 MR. PIGG: Pigg.

2 MR. DOOLITTLE: Does Life Care  
3 typically finance these facilities on a  
4 project financing basis?

5 MR. PIGG: Yes, sir.

6 MR. DOOLITTLE: Okay. So, the  
7 financing of the facility is based on the  
8 credit of the facility; is that correct?

9 MR. PIGG: It's based on the  
10 potential value of that facility, yes.

11 MR. DOOLITTLE: Okay. Is  
12 there a Life Care parent guarantee of the  
13 financing?

14 MR. PIGG: Yes, sir.

15 MR. DOOLITTLE: Okay. We  
16 don't have any financials on Life Care in  
17 this application that I'm aware of. We have  
18 a letter from the Decosimo saying it's a big  
19 company, and I know enough about  
20 Life Care to know it is a big company, but is  
21 there some reason that we don't have any  
22 financials on the consolidated organization?

23 MR. PIGG: Yeah. Each of our  
24 properties stand on their own. We have a lot  
25 of different partnerships involved and

1 ownership structures involved in different  
2 facilities. We do roll those up under one  
3 company number at the end of the year, and  
4 that is what you're speaking to on the  
5 audit.

6 We don't normally release  
7 those financial statements, but through the  
8 audit letter you've seen that we do have the  
9 external audit done and performed on our  
10 consolidation.

11 MR. DOOLITTLE: Right. But if  
12 you just look at the financials of the  
13 facility, it looks like you've dividend it  
14 out over the years most of the equity, most  
15 of the profits, which is entirely  
16 appropriate, but it looks to me like you've  
17 got a negative equity account basically at  
18 the facility; is that right?

19 MR. PIGG: At this facility,  
20 we have struggled over the last several  
21 months of operations, which has generated a  
22 negative pretax profit or pretax loss.

23 MR. DOOLITTLE: Well, I'm  
24 looking at the balance sheet.

25 MR. PIGG: At the balance

1 sheet.

2 MR. DOOLITTLE: Yeah.

3 MR. PIGG: The why Life Care  
4 operates is when we do generate equity in a  
5 facility, a lot of times we will pull that  
6 equity out and go into building new  
7 facilities, paying down debt on existing  
8 buildings that may have situations going on.

9 MR. DOOLITTLE: Right. Now,  
10 I'm not at all suggesting it's not entirely  
11 kosher, but my question is it appears to me  
12 that the credit for this project, if it's  
13 approved, is not really the facility, it's  
14 the parent company, and yet, all we have is a  
15 letter from the Decosimo saying it's a big  
16 company that, you know, makes a bunch of  
17 money.

18 MR. PIGG: I think that  
19 Life Care's credit reputation is a part of  
20 that. However, the ability of that facility  
21 to generate revenue and a pretax profit is  
22 what the financing is based on. The outcomes  
23 that that facility individually generates.

24 MR. DOOLITTLE: Okay. Well,  
25 one man's opinion, it would be nice if we had

1 some parent company financials included in  
2 applications like this in the future. Thank  
3 you. That's all I have, Mr. Chairman.

4 MR. ELROD: Mr. Doolittle,  
5 Dan Elrod, if I could follow up on that. The  
6 way they did this application is the way that  
7 all Life Care applications have been  
8 presented to the agency, and being a  
9 privately-owned company the reluctance to  
10 make their financial statement a public  
11 record, which it would be if it were filed as  
12 part of the CON application, frankly, is  
13 because, partly because nationwide the  
14 nursing home industry has been a target  
15 Defendant and subject to unbelievable  
16 litigation of pressure by basically a cottage  
17 industry of trial lawyers who have made a lot  
18 of money suing nursing homes, and so, to the  
19 extent that they cannot have that out in the  
20 public domain, they think that's a good  
21 situation for them from a business  
22 standpoint. That's the underlying rationale.

23 MR. DOOLITTLE: No, I  
24 understand that. I spent 35 years in  
25 investment banking. I understand private

1 companies. I'm just suggesting that in the  
2 future, notwithstanding that reason, I  
3 personally would like to see some  
4 consolidated financials in here. Thank you  
5 very much.

6 MR. KOELLA: Okay.

7 Mr. Gaither.

8 MR. GAITHER: I guess this is  
9 for Mr. Elrod. How many calories do you burn  
10 getting up and down?

11 MR. ELROD: Too many.

12 MR. GAITHER: Well, I guess  
13 you can pick up on the concern up here. I  
14 guess I'll just give you guys an opportunity  
15 to tell us -- you have several facilities in  
16 Tennessee, what do those surveys look like  
17 and what is going to be done differently to  
18 make sure things are detected and fixed  
19 quickly? I'll just give you an opportunity  
20 to address that since I think that's what a  
21 lot of us are trying to get to here.

22 MR. ELROD: Mr. Gaither, I  
23 agree, and that's the reason as part of our  
24 initial presentation I guess we anticipated  
25 that would be a very legitimate line of





**State of Tennessee**

**Health Services and Development Agency**

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November 21, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

This will acknowledge our November 18, 2014 receipt of your supplemental response for a Certificate of Need for the replacement of Life Care Center of East Ridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 12:00 p.m., Tuesday, November 25, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section A. 6 (Site Control)**

It is noted Life Care Centers of America, Inc. is planning to lease the premises from lessors East Ridge Medical Investors, LLC. Please provide control of the site by providing a deed documenting the three LLCs East Ridge Medical Investors, LLC, East Ridge Retirement Investors, LLC and Fincher Real Estate Investors, LLC owns the property.

**2. Section C, Economic Feasibility, Item 10**

In Supplemental #2 it is noted East Ridge Medical Investors, LLC will finance the proposed project by a bank loan. Please provide the latest balance sheet and income statement as well as the most recent audited financial statements with accompanying notes from East Ridge Medical Investors which documents the LLC has the financial resources to finance the proposed project.

Please clarify why the funding letter from the Bank of Texas is addressed to Life Care Centers of America, Inc. rather than East Ridge Medical Investors, LLC.

Please clarify which entity will be responsible for the \$23.9 million balloon payment.

The 2 pending Life Care Centers of America, Inc. lawsuits in the United States District Court for the Eastern Division of Tennessee is noted. However, as requested in supplemental #3, please provide an overview of the allegations, status, and its possible impact upon the financial outlook of Life Care Centers of America, Inc.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Ms. Cindy Cross  
November 21, 2014  
Page 3

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phillip M. Earhart", with a long horizontal flourish extending to the right.

Phillip M. Earhart  
HSD Examiner

Enclosures



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

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December 12, 2014

Cindy Cross  
Senior Director of Legal Services  
Life Care Centers of America, Inc.  
3570 Keith Street, NW  
Cleveland, TN 37312

RE: Certificate of Need Application CN1410-044  
Life Care Center of East Ridge

Dear Ms. Cross:

This will acknowledge our December 12, 2014 receipt of your supplemental response for a Certificate of Need for the replacement of Life Care Center of East Ridge located at 1500 Fincher Avenue, East Ridge (Hamilton County), TN to an unaddressed site adjacent to the current site. The new facility will reduce the number of licensed beds from 130 to 108 beds.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 12:00 p.m., Monday, December 15, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

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## **2. Section C, Economic Feasibility, Item 10**

Thank you for providing financial statements for East Ridge Medical Investors, LLC. However, the unaudited internal financial statement reflects no cash on hand with total current assets of \$22,054.00 and current liabilities of \$328,264, and total assets of over \$3 million. Please document how East Ridge Medical Investors, LLC will be able to meet the obligation of a \$23.9 million balloon payment. If the \$23.9 million payment is to be refinanced in 5 years, please provide a letter to East Ridge Medical Investors, LLC from a bank or lending institution expressing favorable initial contact with a proposed loan amount, expected interest rate, anticipated term of the loan, and any restrictions or condition.

The applicant states Life Care Center of East Ridge is currently financed through a lender with a guarantee provided by the U.S. Department of Housing and Urban Development (HUD). What is the current balance of that loan and who is responsible for the repayment if this application is approved for relocation?

What involvement will HUD play in the new replacement facility?

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is December 16, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person and legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to Contact this office.

Sincerely,



Phillip M. Earhart  
HSD Examiner

Enclosures